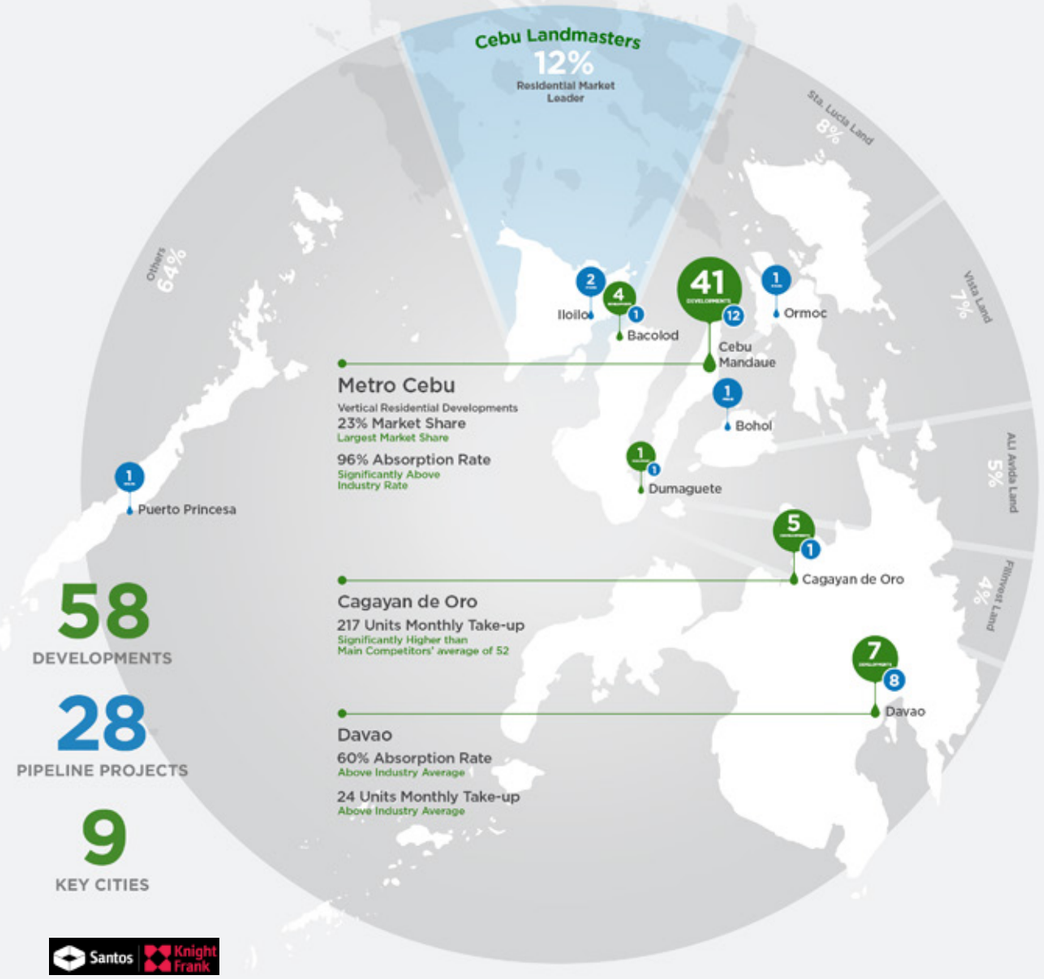
different facets of the extraordinary

Cebu Landmasters proves what it means to be extraordinary.

In 2019, CLI became the leading real estate developer in VisMin, a hallmark amplified by its growth in the leasing and hospitality business. More so, CLI has kept surpassing its past performance so we can serve more Filipino families and communities - creating a lasting positive impact to its employees, homeowners, stakeholders, and the environment.

CLI AS THE LEADING DEVELOPER IN VISMIN



Cebu Landmasters is the number one residential developer in VisMin with a 12% total market share, based on the 2019 Santos Knight Frank (SKF) Real Estate Market Study.

According to the study, CLI is leading the region's vertical and horizontal residential developments with close to 18,000 units all over the region – with a total market share of 23% in Cebu's competitive vertical development category. CLI also has a higher take-up rate of 96% in Metro Cebu, as compared to the industry average of 80%.

Cebu Landmasters has 58 ongoing developments in six of 20 Top Competitive Cities in the Philippines and 28 pipeline projects in nine key cities in VisMin, namely Iloilo, Bacolod, Dumaguete, Davao, Ormoc, Cebu, Bohol, Cagayan de Oro, and Puerto Princesa.

- In Davao, CLI is able to compete with both local and national real estate developers with a sales absorption rate of almost 60%.
- In Cagayan de Oro, take-up rate is at 217, significantly higher than the main competitors' 52.
- CLI is the top performer in Dumaguete with 94% absorption rate compared to the average 80%.
- Its Iloilo branch is the top developer for the economic market and holds 81% of the supply.
- Bacolod's horizontal developments covers 69% total supply, with 79% sold out. Absorption rate is at a remarkable 85%.
- CLI'S introduction of the mid-market Garden Series has a potential for leadership in Bohol.
- CLI is currently exploring an expansion in General Santos and Butuan City.

The recently released SKF market study covers Cebu, Mandaue, Lapu-Lapu, Mactan, Davao, CDO, Bacolod, Iloilo, Bohol, and Dumaguete.

CLI AS A RECOGNIZABLE FORCE IN REAL ESTATE

Cebu Landmasters continues to gain ground in VisMin's leasing and hospitality industries with impressive growth and strategic ventures in 2019.

Growth in Commercial Leasing

Cebu Landmasters' leasing portfolio grew by 10% year-on-year to Php 63.16 million from Php 57.48 million.

The growth is attributed to the increase in Gross Leasable Area following the recent turnover of Casa Mira Towers Labangon, Base Line Retail, and Base Line Headquarters. The Company's aggregate reached 14,296 sqm with a remarkable 82% occupancy rate.

Management fees, on the other hand, increased by 185% year-on-year to Php 36.84 million from Php 12.92 million due to the increase of the developments managed by CLIPM, the property management arm of CLI. The subsidiary now oversees 16 projects: eight house and lot subdivisions, and eight offices and residential condominiums.

Milestones in International Hospitality

Cebu Landmasters partners with The Ascott Limited as it inaugurated its first hotel – the 180-room Citadines Cebu City, the first Ascott-serviced residence outside Metro Manila and one of the top-rated hotels among Ascott properties, on TripAdvisor, and other booking channels. The CLI-Ascott partnership also has three ongoing projects: Citadines Paragon Davao, Citadines Bacolod City, and lyf Cebu City. All are set to be operational between 2021 and 2022.

CLI likewise cemented a venture with Radisson Hotel Group™ for the first Radisson RED in the Philippines. The 146-room Radisson RED will be part of the Astra Centre, a major mixed-use development of CLI along the bustling AS Fortuna Street in Mandaue City, Cebu.

The Company also announced the redevelopment of the nine-room Abaca Boutique Resort into a 125-all suite, high-end resort. For this, CLI signed a hotel management agreement with The Abaca Group.

CLI is also developing an upper-end residence in Mactan, a 167-room hotel project in The Patria de Cebu, and a landmark project adjacent to Ayala Center Cebu anchored by a prestigious six-star hotel, premium offices, and retail spaces.


Citadines Cebu City lobby


Citadines Paragon Davao


Architect's render of lyf Cebu City common area

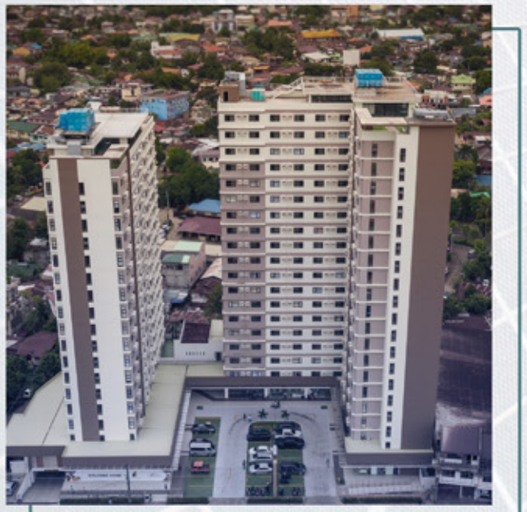

Architect's render of Radisson RED lobby

CLI AS A 'MIRACLE' TO FILIPINO FAMILIES THROUGH CASA MIRA

Cebu Landmasters continues its thrust to make quality homes more affordable to everyday Filipinos with its flagship project for the economic housing market – Casa Mira. As a 'Mira-cle to the average Filipino family,' Casa Mira provides more spaces and amenities with an emphasis on value for money.

The reasonably-priced, high-sales velocity brand has two types. Casa Mira is a house and lot subdivision with townhouses and single-detached units of 36 to 67 sqm floor area. It has 60% open space and a club house with swimming pool, basketball court, and a chapel. On the other hand, Casa Mira Towers are condominium developments with retail and amenities such as a gym and swimming pool. It offers studio and one-bedroom units of 20 sqm to 36 sqm.

Starting with Casa Mira Linao in 2014, Casa Mira now has seven completed projects to date and seven ongoing developments in Cebu, Sibulan, Mandaue, Cagayan de Oro, Bacolod, and Iloilo. Twelve new projects of are to be launched across Dumaguete, Davao, Ormoc, and Palawan soon.



CLI AS A VALUABLE MEMBER IN THE COMMUNITY

Cebu Landmasters takes an active stance in empowering its employees, inspiring the community, and protecting the environment through its noteworthy Corporate Social Responsibility initiatives.

Empowering the Workforce

CLI is highly motivated to bring out the best versions in its workforce through employee engagement activities, regular training, and tooling programs. The company also spearheaded the following projects in 2019:

- Executive development programs for top, middle, and line managers
- In-house seminars and workshops for frontliners
- Townhall meetings with top management for regular updates
- Marathons and sports programs, including an annual sports festival
- A fully paid company trip to Boracay Island for our summer outing and team building

Inspiring the Community

CLI ensures that the needs of its communities are properly met. Initiatives include:

- Extensive waste management and property upkeep projects through CLI Property Management
- Active partnership with and scholarship support to the Center for Industrial Technology and Enterprise (CITE) Technical Institute, Inc., the only technical school in the Visayas. CLI CEO Jose Soberano III sits as CITE's Chairman of the Board
- Development of community facilities such as the Barangay Guadalupe tricycle terminal for neighborhood commuters and tricycle operators.

Protecting the Environment

In an effort to preserve Cebu's watershed areas, CLI has partnered with the Philippine Business for Social Progress. As such, CLI has adopted reforestation sites in the Mananga Protected Watershed Areas, with periodic tree planting activities participated by employees.

On the other hand, CLI also stamped its support towards environmental management initiatives by private sectors through its partnership with business and civic organizations, particularly with the Cebu Chamber of Commerce and Industry.

#CLICares

RESPONDING TO THE COVID-19 PANDEMIC

As this annual report was published during a global health crisis, this special section features CLI's efforts in response to the COVID-19 pandemic.

CLI Chairman and CEO Jose Soberano III reassured that the company's stakeholders remained top of mind during the pandemic. As such, several measures and initiatives were implemented to ensure that their interests were prioritized at all times.

"CLI will continue to place the well-being of our people first and make sure to deliver and cater to the needs of our employees, buyers, residents, business partners, government, and the communities that we serve.

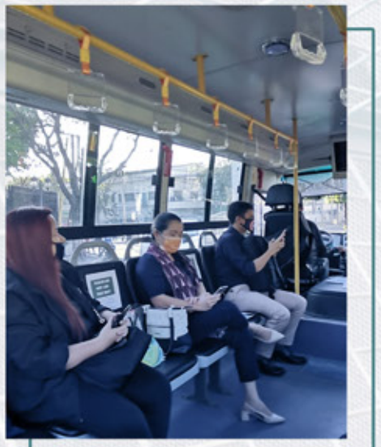
"With fortitude and unity, we will overcome this challenge together," addressed Soberano III in an interview dated March 2020.

Care for Our Employees

Even before the enhanced community quarantine, the company already enforced sanitation procedures in its headquarters and properties. Transportation services, following strict social distancing protocol, were provided to all employees.

During the quarantine, employees were allowed to work from home with full compensation. In addition, early release of the 14th month pay, extended deadline of unused vacation leave credits, and distribution of health kits to employees were implemented.

To help boost employee morale while they work from home, engagement programs were shifted online. These included the inspiring 'Coffee With The CEO' via Zoom, 'CLI Training Webinars' for all employees, and wellness-driven 'Workout From Home' with our resident gym instructor.



Love for Healthcare Frontliners

CLI was proactive in supporting the healthcare community.

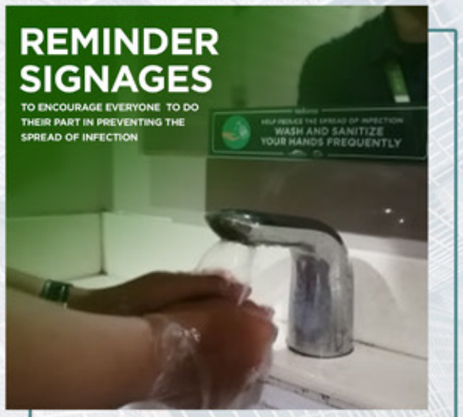
We turned over medical supplies and relief packs to 18 local government units and 30 barangays around VisMin where CLI is present. And through our partners from The Abaca Group and Citadines Cebu City, we provided food packs to frontliners and healthcare providers in Cebu.

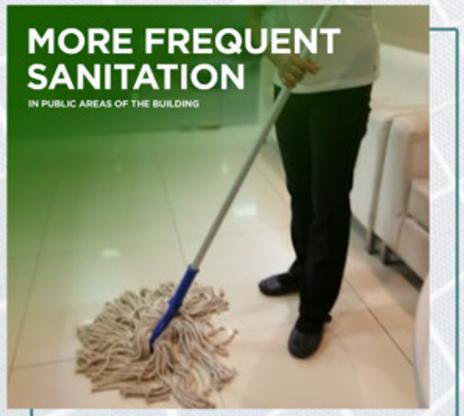
In cooperation with the Cebu City Government, CLI likewise donated two-unit fully airconditioned collapsible vans situated at the Cebu City Quarantine Center in the North Reclamation Area. These served as temporary sleeping quarters for doctors, nurses, and medical personnel during the pandemic.

Safety for Our Residents and Tenants

CLI enforced additional sanitation and safety measures in all operating projects in response to the crisis. These initiatives were spearheaded through CLIPM, the company's property management arm.

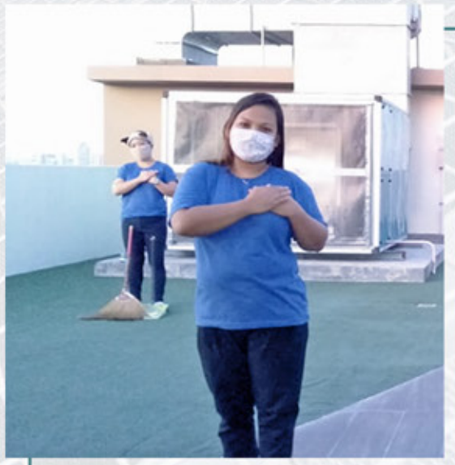
From our learnings, we aim to further strengthen our health and safety protocol in all our properties. With that, the company is highly considering the provision of clinic services and application of stricter garbage collection and sanitation procedures in our current and future projects.

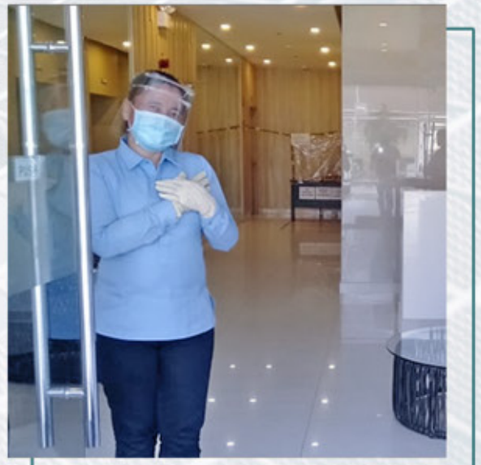




Assistance for Contractors and Frontliners

We highly value the services of our frontliners and third-party contractors, especially during the global crisis. To help them and their families, CLI provided weekly financial assistance to those who worked during the pandemic. This aid was extended to our construction workers, security personnel, housekeeping and maintenance employees, and other suppliers.





Support for Brokers and Buyers

CLI provided spot incentives to its roster of loyal and supportive brokers – with timely release despite work-from-home limitations where offices were closed.

CLI also assisted its buyers in a time when finances were considered tight. CLI extended its equity payments to make their dream of a safe and quality home still within reach even during the crisis.

epitome of extraordinary leadership

Behind the success of Cebu Landmasters, Inc. is a dedicated team of executives and directors. Headed by Chairman and CEO Jose R. Soberano III, our esteemed panel of leaders ensure that we stay committed to excellence and deliver the extraordinary every step of the way.

the board of directors

1 JOSE SOBERANO III
Chairman, President and CEO

2 MA. ROSARIO B. SOBERANO
Director, Executive VP and Treasurer

3 FRANCO B. SOBERANO
Director, Executive VP
and Chief Operating Officer

4 JOANNA MARIE SOBERANO-BERGUNDTHAL
Director, VP and Marketing
and HR Director

5 RUFINO MANOTOK
Independent Director

6 MA. AURORA GEOTINA-GARCIA
Independent Director

7 ATTY. JASMINE OPORTO
Independent Director

8 STEPHEN A. TAN
Director

9 BEAUREGARD GRANT L. CHENG
Director

the executives

1. BEAUREGARD GRANT L. CHENG
Chief Finance Officer

2. ENGR. PEDRITO A. CAPISTRANO, JR.
VP for Engineering

3. ATTY. LARRI-NIL G. VELOSO
VP for Legal, Documentation, Permits, and Licenses

4. MARIE ROSE C. YULO
VP for Sales

5. CONNIE N. GUIEB
VP for Finance and Accounting

6. JESS M. KABIGTING
VP for Operations

7. SYLVAN JOHN MONZON
VP for Business Development

8. MATHIAS BERGUNDTHAL
Director of Asset - CLI Premier Hotels

# of governance and the extraordinary

Cebu Landmasters, Inc. highly commends the collective efforts of its Board of Directors and their supporting committees. Through their exceptional performance, key provisions of CLI's Manual on Corporate Governance were fully realized for the fiscal year 2019. The manual enumerates all the recommendations for best practices in corporate housekeeping for publicly listed companies.

corporate governance

In 2019, the Board took another major step to make corporate governance one of its centerpiece programs. It started with an honest self-evaluation of its performance on the very first meeting right after the annual stockholders meeting where directors gave themselves only an overall rating of 88% for the previous year. By its third meeting, on the occasion of the company's five-year strategic planning session in Tokyo, Japan, the Board had doubled down on this priority by aiming to win a corporate governance award by 2022.

Soon after, measures and policies were adopted in rapid succession. A good example was the enactment of a Related-Party Transaction Policy that far exceeded the requirement of SEC regulations. Unlike the prevailing standards, the Board set a very low threshold of Php 50 million for related-party transactions requiring review and endorsement by a committee created for this purpose. Considering the volume and amounts involved in most CLI contracts, which ordinarily run into hundreds of million pesos, this threshold meant stricter monitoring and scrutiny of even innocuous matters such as advances to jump-start operations of homeowners associations.

Another measure adopted by the Board was the whistle-blowing policy to strengthen the internal feedback mechanism of the company, especially in reporting suspected fraud, unethical practices, and other improper activities. Since its launch, at least two have been disciplined following anonymous tips sent through the whistle-blowing channels.

The Board also chartered a Nomination Committee separate and distinct from the Corporate Governance Committee headed by the lead independent director. This committee aims not only to vet and shortlist candidates for the Board and senior management positions, but also to formulate procedures for minority shareholders to participate in the selection process.

Through the Board Charter, directors also formally identified and memorialized 25 key functions and lookouts as they serve on the highest governing body of CLI. Chief among them are the establishment of a system of check and balance within the Board; creation of an internal control mechanism to monitor potential conflicts of interest among management, board members, and shareholders especially in related-party transactions; and avoidance of groupthink by promoting board diversity not just limited to gender but also in age, ethnicity, culture, skills, competence, and knowledge – all to ensure optimal decision-making.

Rounding out the governance initiatives for the year and to reinforce its commitment to transform CLI into a company steeped in ethical standards, transparency, and accountability, the Board sent 12 key executives to a corporate governance training conducted by Atty. Vincent Edward Festin of the Ateneo Graduate School of Business. The attendees came from every operational department of the company including Accounting, Corporate Finance, Business Development, I.T., Engineering, Leasing, Hotel Management, Marketing, and Legal.

Years from now when CLI stakeholders look back to 2019, it will be remembered as the watershed moment in CLI's corporate governance history.

Below is the summary of 2019 Board and Committee Membership, Meetings, and Attendance:

BOARD OF DIRECTORS	POSITION	MEETINGS ATTENDED
Jose R. Soberano III	Chairman	6 of 7
Ma. Rosario B. Soberano	Member	5 of 7
Jose Franco B. Soberano	Member	7 of 7
Joanna Marie S. Bergundthal	Member	5 of 7
Stephen A. Tan	Member	5 of 7
Beauregard Grant L. Cheng	Member	5 of 7
Rufino Luis T. Manotok	Lead Independent Director	6 of 7
Ma. Aurora D. Geotina-Garcia	Independent Director	7 of 7
M. Jasmine S. Oporto	Independent Director	7 of 7

AUDIT COMMITTEE	POSITION	MEETINGS ATTENDED
Ma. Aurora D. Geotina-Garcia	Chairperson	9 of 9
Rufino Luis T. Manotok	Member	9 of 9
M. Jasmine S. Oporto	Member	9 of 9
Stephen A. Tan	Member	3 of 9

RISK OVERSIGHT COMMITTEE	POSITION	MEETINGS ATTENDED
M. Jasmine S. Oporto	Chairperson	5 of 5
Rufino Luis T. Manotok	Member	5 of 5
Ma. Aurora D. Geotina-Garcia	Member	5 of 5
Stephen A. Tan	Member	1 of 5

RELATED-PARTY TRANSACTION COMMITTEE	POSITION	MEETINGS ATTENDED
Rufino Luis T. Manotok	Chairperson	5 of 5
Ma. Aurora D. Geotina-Garcia	Member	5 of 5
M. Jasmine S. Oporto	Member	5 of 5
Stephen A. Tan	Member	1 of 5

CORPORATE GOVERNANCE COMMITTEE	POSITION	MEETINGS ATTENDED
M. Jasmine S. Oporto	Chairperson	5 of 5
Rufino Luis T. Manotok	Member	5 of 5
Ma. Aurora D. Geotina-Garcia	Member	5 of 5
Stephen A. Tan	Member	1 of 5

NOMINATION COMMITTEE	POSITION	MEETINGS ATTENDED
Rufino Luis T. Manotok	Chairperson	1 of 1
Jose R. Soberano III	Member	1 of 1
Ma. Rosario B. Soberano	Member	1 of 1

2019 Attendance of Directors in Compliance Seminars

DATE	SEMINAR/TRAINING	ORGANIZER	ATTENDEES
February 21, 2019	DCGSS: Family Business Governance in the Fourth Industrial Revolution	Institute of Corporate Directors	Ma. Aurora D. Geotina-Garcia
March 21, 2019	The Gender Diversity in the C-Suite Report: Women in the Philippine C-Suite	Philippine Women's Economic Network Inc.	Ma. Aurora D. Geotina-Garcia
March 26, 2019	Joint Forum on Revised Corp. Code of the PH	Shareholder's Association of the Philippines	Ma. Aurora D. Geotina-Garcia
May 30, 2019	Diversity and Inclusion Business Forum	Institute of Corporate Directors	Ma. Aurora D. Geotina-Garcia
July 10, 2019	Corporate Governance Orientation Program	Institute of Corporate Directors	Stephen A. Tan; Beauregard Grant L. Cheng
July 11 – 12, 2019	Professional Directors Program	Institute of Corporate Directors	Stephen A. Tan
July 18-19, 2019	Professional Directors Program	Institute of Corporate Directors	Stephen A. Tan
October 11, 2019	Advanced Corporate Governance Training	Institute of Corporate Directors	Rufino Luis T. Manotok
November 19, 2019	Distinguished Corporate Governance Speaker Series	Institute of Corporate Directors	Ma. Aurora D. Geotina-Garcia; Atty. M.Jasmine Oporto
December 4, 2019	Diversity 101: Enhancing Board Effectiveness and Company Performance	Institute of Corporate Directors	Ma. Aurora D. Geotina-Garcia
December 17 2019	Basics of Corporate Governance class	Ateneo Graduate School of Business.	Ma. Rosario B. Soberano; Joanna Marie S. Bergundthal

year of extraordinary performance

Growth across revenue streams. Expansions through new projects, acquisitions, and developments. Strategic alliance with trusted partners. And more key performance indicators, leading to financial results that prove that in 2019, Cebu Landmasters was all about being extraordinary.

financial review

CLI in 2019: financial review

The year 2019 is a year of sustained growth and expansion for Cebu Landmasters, Inc. ("CLI" or the "Company") as the Company expands into promising ventures, new markets, and locations. CLI's Consolidated Net Income After Tax (NIAT) increased to Php 2.44 billion, or a 12% year-on-year growth. Parent NIAT, on the other hand, grew to Php 2.01 billion, a 21% YOY increase due to the substantial growth of revenue from purely CLI projects, allowing the Company to surpass its year-end target of Php 2.0 billion. The favorable result is driven from the construction progress of its ongoing projects.

CLI reported a 26% topline growth, from Php 6.76 billion to Php 8.50 billion, driven by the strong performance across all business units including its leasing and hotel portfolio. The recent turnover of Casa Mira Towers Labangon and Base Line Retail and HQ, the office component of the mixed-use Base Line Center in Cebu, increased the Company's total GLA from 8,952 sqm to 14,296 sqm. Citadines Cebu City, CLI's first hotel business, started operations in the third quarter of 2019, allowing the Company to recognize a new stream of recurring revenue.

On the other hand, the Company sustained its growth momentum with a 32% YOY increase in consolidated reservations sales, from Php 9.61 billion to Php 12.68 billion, due to the Company's robust sales of newly launched projects in 2019 exceeding from its year-end guidance of Php 12.50 billion.

With CLI's outstanding performance, the Board of Directors declared cash dividend of Php 0.25 per share on February 19, 2020 with a total amount of Php 414,795,000 to stockholders on record as of April 3, 2020. Such dividend was paid on April 30, 2020.

PROJECT LAUNCHES

During the year, the Company launched Php 18.0 billion worth of projects, namely:

(i) Davao Global Township (DGT) - Phase 1
(ii) One Paragon Place in Davao
(iii) Citadines Paragon Davao in Davao
(iv) Citadines Bacolod City in Bacolod
(v) Casa Mira Bacolod
(vi) MesaVirre Garden Residences C in Bacolod
(vii) Velmiro Plains in Bacolod
(viii) Casa Mira Towers Cagayan de Oro (CDO)
(ix) Pinamalayan Socialized Housing in Mindoro
(x) Mivela Garden Residences in Cebu
(xi) One Astra Place Tower 2 in Cebu
(xii) Casa Mira Towers Mandaue in Cebu

LANDBANK

CLI current landbank of 1,245,485 sqm will be used to roll out its major brands in new locations such as Iloilo, Bohol, and Ormoc in 2020. Eighty percent of the total land bank are 100% owned by CLI and the rest are under joint venture companies to allow CLI access to high value locations without requiring intensive capital.

Part of its recent acquisitions is an existing resort in Mactan, Cebu with 18,000 sqm of land area. The said resort will be re-developed to integrate a residential component. The Company also purchased a 9.4-hectare property in Ormoc to be developed into a residential project in 2020. Additionally, CLI purchased 28 hectares of land in Davao for its first horizontal project in the region. The development will house both the Company's economic and mid-market brand, Casa Mira Davao and Velmiro Heights Davao respectively. Cebu Landmasters also acquired 11,000 sqm of land in Bacolod City adjacent to its existing three-tower condo project, the MesaVirre Garden Residences. The high demand for condominiums in the area supported the Company's intent to roll-out Casa Mira Towers, the economic brand of the Company, in Bacolod.

In 2019, CLI also purchased the highest-rated hotel in Cebu, the Abaca Boutique Resort. The 4,328 sqm property will be expanded from a nine-room all-suite boutique resort into a 125-room luxury resort development.

STRATEGIC PARTNERSHIPS

During the year, CLI entered into a strategic partnership with AboitizLand, the real estate arm of Aboitiz Equity Ventures. The Joint Venture Company will develop a mid-market, mixed-use, multi-tower condominium project in Mandaue City, Cebu. CLI is also teaming up with prominent Iloilo businessman Alfonso Tan, Chairman of International Builders Corporation, for a high-rise multi-tower condominium with retail spaces on a prime corner lot in Iloilo City's downtown area. And after the success of Latitude Corporate Center, CLI and Borromeo Brothers are also launching another joint venture to develop a two-tower residential condominium in a prime area in Cebu City.

LARGER SCALE DEVELOPMENTS

CLI recently received the notice of interest from Xavier University (XU) to develop the latter's property in CDO into a campus town. In the initial plan, CLI will be the project manager to transfer the existing XU campus to uptown Manresa. CLI will also lead the development of the future Manresa area into a university town and the transformation of the existing XU campus into a business district. The proposed development is currently undergoing a final review for approval from the Jesuit Superior General in Vatican.

Future CLI developments in Cebu City also include a mixed-use community with hotel, office, and retail in a prime Cebu Business Park lot adjacent to Ayala Mall. CLI holds a 43-year lease contract for the vacant lot that is one of the last remaining undeveloped lots in the most prime business districts in Cebu.

AWARDS

During the 7th Annual Property Guru Philippines Property Awards last July 5, 2020, global brand Kohler presented Cebu Landmasters with the Best Developer award. Other honors were also given to the Company's projects: 38 Park Avenue development as Best High-End Condominium Development (Cebu), Casa Mira Towers Labangon as Highly Commended for Best Affordable Condominium Development (Cebu), MesaTierra Garden Residences as Best Condominium Development (Davao), and special recognition for Corporate Social Responsibility.

NOTES FACILITY AGREEMENT

In order to fund the Company's expansion plans for the year, Cebu Landmasters entered into a notes facility agreement with ALFM Peso Bond Fund, Inc. and ALFM Money Market Fund, Inc. wherein CLI will issue an 18-month corporate note worth Php 2.0 billion at an initial fixed rate of 4.75% to the ALFM mutual funds. The facility was arranged by BPI Capital Corporation. Proceeds of the notes will be used for capital expenditures and general corporate purposes. CLI has several strategic land acquisitions lined up in greater Cebu, Bacolod, and Davao, with new expansion areas such as Iloilo, Butuan, and General Santos City also on the horizon.

Cebu Landmasters continues to pursue its aggressive plans to establish and deliver quality developments across the Visayas and Mindanao region.

CLI in 2019:
review on the company's results of operation

FY 2019 VS. FY 2018

CLI posted a consolidated NIAT growth of 12%, from Php 2.17 billion to Php 2.44 billion. Net income attributable to Parent likewise increased to Php 2.01 billion, solid earnings growth of 21% YOY as compared to Php 1.67 billion in 2018. The favorable result is driven from the construction progress of the following ongoing projects: MesaVirre Garden Residences in Bacolod, Velmiro Uptown in CDO, 38 Park Avenue and Casa Mira South in Cebu, and MesaTierra Garden Residences in Davao.

For 2019, CLI registered an earnings per share of Php 1.21, a notable 23% increase from the Php 0.98 EPS in 2018. Total outstanding shares as of December 31,2019 is 1,659,180,000 after 54,820,000 treasury shares.

REVENUES

For the period ending December 31, 2019, total consolidated revenues reached Php 8.50 billion, 26% higher than Php 6.76 billion reported YOY. The growth was mainly driven by its Garden Series for the mid-market segment representing 37% of revenue, 30% by Premier Masters for the high-end segment, and 30% by Casa Mira for the economic housing segment. In 2018, Garden Series represented 45% of the total revenue, 28% from Casa Mira Series, and 19% from Premier Masters.

In 2019, 38 Park Avenue, a high-end segment project in Cebu, posted the highest revenue growth in 2019, followed by economic housing project Casa Mira South, and mid-market projects MesaVirre Garden Residences and Velmiro Uptown CDO.

In terms of location, CLI's real estate revenue presence in Cebu remains to be strong at 56% of total revenues, followed by CDO's revenue of 14% and Bacolod's 12%. In 2018, Cebu's real estate revenue generated 64% of total revenues, while Davao and CDO posted significant contributions of 12% and 11%, in that order. The Company expects to grow revenue contribution of its expansion areas such as Iloilo, Davao, Bohol, and Puerto Princesa in 2020.

The rental revenue of CLI grew by 10% YOY from Php 57.48 million to Php 63.16 million. This is attributable to the Company's 60% increase in GLA to 14,296 sqm with the recent turnover of Base Line Retail (5,216 sqm GLA), Base Line HQ (1,721 sqm GLA), and Casa Mira Towers Labangon (1,124 sqm GLA) in Cebu. Latitude Corporate Center in Cebu is scheduled for completion in 2020, turning over a GLA of 3,263 sqm. The project will further augment the Company's recurring portfolio by 2020.

COST AND EXPENSES

CLI reported a total cost of sales of Php 4.30 billion in 2019, a 37% YOY increase from prior year's Php 3.14 billion. The increase is in line with the growth of the Company's revenue.

Total operating expenses to support the Company's expansion for the year amounted to Php 1.15 billion, a 28% increase from Php 893.89 million in 2018. The increase is primarily attributed to higher commissions, incentives, and transfer taxes which resulted from stronger sales performance as 12 projects were launched during the year. Salaries and employee benefits grew by 40% due to increased manpower to support CLI's increase in operations.

Borrowing costs, both booked as cost of real estate sale and outright expense, decreased from Php 176.95 million to Php 169.53 million due to interest cost savings during 2019. Total interest cost capitalized as real estate inventory amounted to Php 802.55 million from Php 242.24 million YOY, as more debt was availed to support the Company's planned capital expenditures including land banking initiative and project development. This includes Php 2.0 billion corporate notes issued in 2019 and Php 5.0 billion corporate notes issued in 2018.

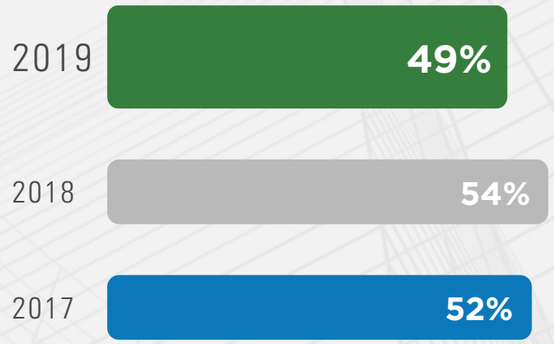
Consolidated tax expense increased to Php 743.56 million, 70% growth from Php 438.61 million in 2018, in line with the increase of the Company's consolidated net income.

FINANCIAL HIGHLIGHTS

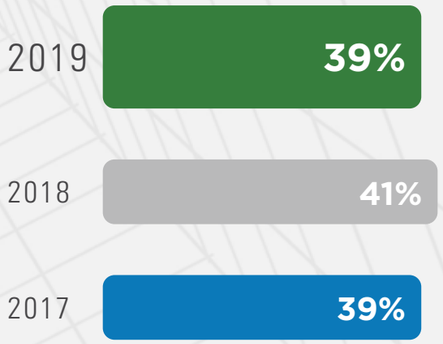
FINANCIAL PERFORMANCE	2019	2018	2017
CONSOLIDATED REVENUES	8,499,047,935	6,762,939,347	3,927,822,594
CONSOLIDATED NET INCOME	2,437,937,509	2,168,925,313	1,261,405,792
NET INCOME ATTRIBUTABLE TO PARENT	2,012,289,616	1,667,369,943	1,286,936,399
FINANCIAL POSITION			
CURRENT ASSETS	22,932,778,503	16,088,569,606	12,030,726,705
NON-CURRENT ASSETS	15,350,663,733	9,339,095,192	1,518,852,396
TOTAL ASSETS	38,283,442,236	25,427,664,798	13,549,579,101
DEBT	16,846,756,577	10,641,280,311	5,101,734,911
OTHER LIABILITIES	7,688,427,371	3,464,403,533	3,033,557,292
TOTAL LIABILITIES	24,535,183,948	14,105,683,844	8,135,292,203
STOCKHOLDER'S EQUITY	13,748,258,288	11,321,980,954	5,414,286,898
CASH POSITION			
NCF USED IN OPERATING ACTIVITIES	-3,068,007,070	-4,880,544,322	-2,486,567,649
NCF USED IN INVESTING ACTIVITIES	-2,265,219,358	-468,009,413	-76,483,443
NCF FROM FINANCING ACTIVITIES	5,301,235,148	4,837,703,800	3,907,244,293
BEGINNING CASH BALANCE	949,161,931	1,460,011,866	115,818,665
ENDING CASH BALANCE	917,170,651	949,161,931	1,460,011,866

PROFITABILITY:

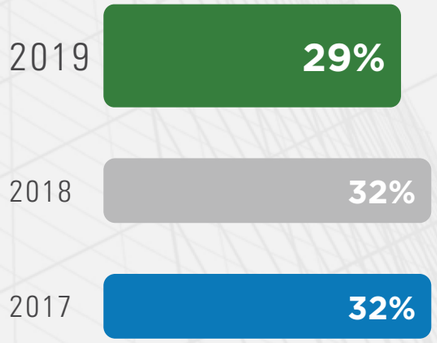
GROSS PROFIT MARGIN



EBITDA MARGIN



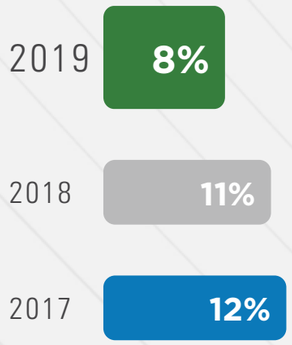
CONSO NIAT MARGIN



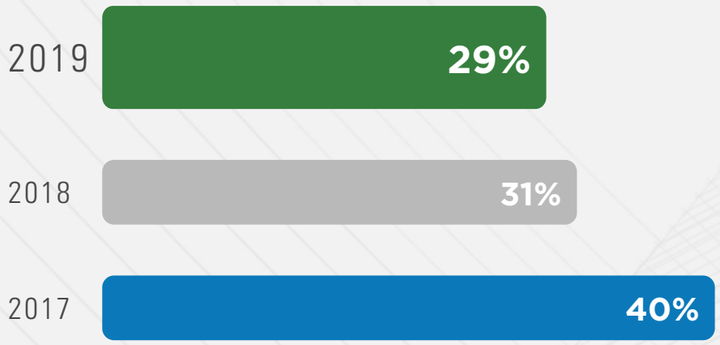
FINANCIAL HIGHLIGHTS

PROFITABILITY:

RETURN ON AVE. ASSET



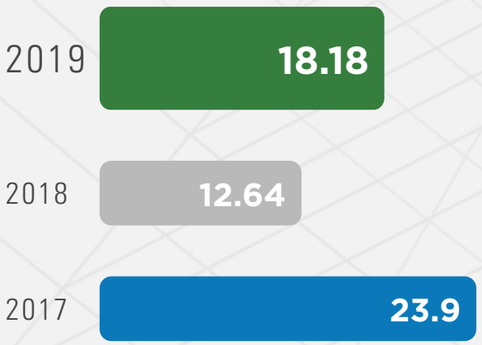
RETURN ON AVE. PARENT EQUITY



STABILITY:

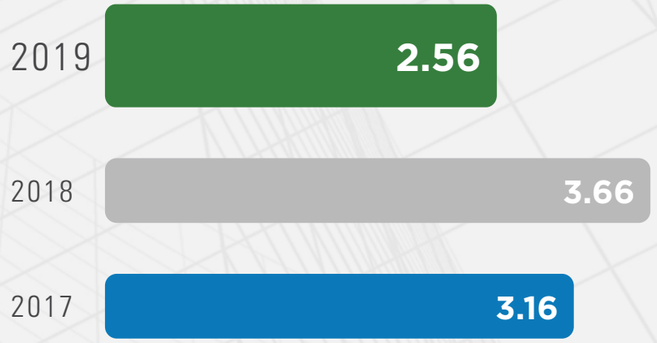
DEBT/EQUITY RATIO

INTEREST COVERAGE RATIO



LIQUIDITY:

CURRENT RATIO



FINANCIAL HIGHLIGHTS

SHARE PRICE PERFORMANCE	2019	2018	2017
MARKET CAPITALIZATION IN BILLION PESOS	8 BILLION	6.9 BILLION	8.36 BILLION
STOCK PRICE*	4.83 BILLION	4.14 BILLION	4.88 BILLION
EARNINGS PER SHARE	1.21 BILLION	0.98 BILLION	0.86 BILLION

*Closing price as of year end

OPERATIONAL HIGH	2019	2018	2017
LANDBANK (IN SQM)	1,245,485	915,204	859,882
RESERVATIONS SALES (IN PHP)	12,676,980,539	9,608,343,932	7,596,502,046
GROSS LEASABLE AREA (IN SQM)	14,296	8,952	6,297
HOTEL ROOMS	180	0	0

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Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines
T +63 2 8988 22 88

Report of Independent Auditors

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Opinion

We have audited the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (collectively referred to herein as the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue Recognition for Sale of Real Estates

Description of the Matter

We considered the Group's recognition of revenue from sale of real estates a key audit matter because of the significant volume of transactions and amount of revenue from sale of real estates involved. In 2019, the Group's revenue from sale of real estates accounts for 99% of the Group's total revenues. It uses the percentage of completion (POC) method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation, to determine the appropriate amount of contract revenues to be recognized for the reporting period. Thus, the complexity of the application of the revenue recognition standard in real estate sales contracts; and the application of significant management judgments in determining when to recognize revenue, particularly on the assessment of the probability of collecting the contract price, and in estimating the stage of project completion were also taken into consideration. An error in the application of the requirements of said standard, and of management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's accounting policy on recognition of revenue from sale of real estates, and basis of significant judgment and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, the details of contract revenues, specifically the disaggregation of revenues, and costs of real estate sales are disclosed in Notes 17 and 18 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

To address the risk of material misstatements in revenue recognition, we have performed tests of design and operating effectiveness of internal controls, including information technology (IT) general and application controls, over processes relating to generation of contract revenue, and revenue recognition and measurement. In addition, we reviewed agreements, on a sampling basis, and the relevant facts and circumstances about the real estate transactions to determine compliance with a set of criteria for revenue recognition. We have also tested the reasonableness of management's judgment in determining the probability of collection of the contract price; this involves a historical analysis of customer payment pattern and behavior.

To ascertain the reasonableness of the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include understanding of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is consistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs.

(b) Existence and Valuation of Real Estate Inventories

Description of the Matter

Real estate inventories amount to P9.4 billion, which accounts for 41% of total current assets and 25% of total assets of the Group, as at December 31, 2019. Because of the asset's material effect on the consolidated financial statements, we considered its valuation a key audit matter. The valuation of the asset is also hinged on its existence; accordingly, existence of real estate inventories was also considered a key audit matter. Valuation of the Group's real estate inventories, particularly construction-in-progress given that the Group is heavily engaged in pre-selling arrangements with buyers, involves determination and estimation of significant unbilled materials and project contractors' services at the end of the reporting period. Management's failure to consider such unbilled materials and services, and an error in estimating the same, could have a material impact on the carrying value of real estate inventories as well as POC and cost of real estate sales.

The Group's policy on accounting for real estate inventories, basis of significant estimation of unbilled materials and services, and an analysis of the components of inventories are disclosed in Notes 2, 3 and 7 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

We have obtained an understanding, and performed tests of design and operating effectiveness of internal controls, including IT general and application controls, over processes relating to initiation and recording of purchases and allocation of cost to real estate inventories. We also performed ocular inspection of selected real estate projects on a date closest to the reporting date to confirm their existence and examined documents, such as land titles, progress reports, contractors' accomplishment billings among others, to corroborate with other procedures as well as to ensure completeness of recorded costs. We tested the assumptions used by management in estimating the unbilled materials and services.

(c) Consolidation Process

Description of the Matter

The consolidated financial statements of the Group represent the financial statements of the Parent Company and its subsidiaries viewed as a single economic and reporting entity. We consider the Group's consolidation process as a key audit matter because of the significant judgments made to determine whether control exists on subsidiaries where shareholdings of the Group is 50% and lower, and the complexity arising from the component entities with significant intercompany transactions that require elimination and valuation of non-controlling interests in net profit and net assets of the Group.

The Group's accounting policy and judgment applied on consolidation are presented in Notes 2 and 3 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

To address this matter, we obtained understanding of the Group's structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, and recognition of equity transactions to measure non-controlling interest. In respect of subsidiaries where shareholdings of the Group is 50% and lower, we obtained documents supporting management's judgment in respect of its assumed control over the entities and discussed with management how it is able to demonstrate such control over the entities. Finally, we analyzed the operations of each of those subsidiaries to determine whether indeed, the parent company controls their operations.

Emphasis of a Matter

We draw attention to Note 29 to the financial statements, which describes management's assessment of the impact on the Group's consolidated financial statements of the business disruption brought about by the corona virus outbreak and consequent events after the reporting period. Management has determined that these are non-adjusting events and as such, had no impact on the Group's consolidated financial statements for the year ended December 31, 2019. As further stated in Note 29, management was unable to reliably estimate yet as at the issuance date of the financial statements the impact of said events on the Group's consolidated financial condition and operations in subsequent periods. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 8116545, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2020

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 917,170,651**	P 949,161,931
Receivables - net	6	**5,204,137,996**	3,093,200,762
Contract assets - net	17	**3,799,666,118**	4,283,208,009
Real estate inventories	7	**9,446,952,918**	6,256,527,195
Deposits on land for future development	8	**1,289,398,997**	621,175,611
Due from related parties	25	**9,947,417**	21,154,189
Prepayments and other current assets	9	**2,265,504,406**	864,141,909
Total Current Assets		**22,932,778,503**	16,088,569,606
NON-CURRENT ASSETS			
Receivables - net	6	**671,924,942**	945,894,535
Contract assets - net	17	**5,092,843,910**	1,158,917,984
Deposits on land for future development	8	**-**	1,133,587,835
Investments in associates	10	**16,378,423**	11,205,003
Property and equipment - net	11	**355,120,980**	325,720,720
Right-of-use assets - net	12	**174,759,463**	-
Investment properties - net	13	**8,904,844,700**	5,699,104,914
Post-employment defined benefit asset	23	**5,923,584**	-
Other non-current assets - net	14	**128,867,731**	64,664,201
Total Non-current Assets		**15,350,663,733**	9,339,095,192
TOTAL ASSETS		**P 38,283,442,236**	P 25,427,664,798
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**P 2,627,759,378**	P 1,559,866,154
Trade and other payables	16	**5,701,910,028**	2,318,263,599
Contract liabilities	17	**418,967,659**	457,927,612
Customers' deposits	17	**191,042,919**	42,774,376
Lease liabilities	12	**1,775,306**	-
Income tax payable		**29,726,619**	17,728,700
Total Current Liabilities		**8,971,181,909**	4,396,560,441
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**14,218,997,199**	9,081,414,157
Trade and other payables	16	**81,616,966**	84,704,896
Lease liabilities	12	**138,501,152**	-
Post-employment defined benefit obligation	23	**-**	5,967,694
Deferred tax liabilities - net	24	**1,124,886,722**	537,036,656
Total Non-current Liabilities		**15,564,002,039**	9,709,123,403
Total Liabilities		**24,535,183,948**	14,105,683,844
EQUITY			
Equity attributable to shareholders of Parent Company	26		
Capital stock		**1,714,000,000**	1,714,000,000
Additional paid-in capital		**1,608,917,974**	1,608,917,974
Treasury shares, at cost		**(247,193,811)**	(212,459,418)
Revaluation reserves - net		**(6,589,225)**	(12,428,442)
Retained earnings		**4,623,093,445**	2,943,393,829
		7,692,228,383	6,041,423,943
Non-controlling interest	26	**6,056,029,905**	5,280,557,011
Total Equity		**13,748,258,288**	11,321,980,954
TOTAL LIABILITIES AND EQUITY		**P 38,283,442,236**	P 25,427,664,798

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES	17			
Sale of real estates		**P 8,390,526,495**	P 6,692,537,760	P 3,878,512,273
Rentals		**63,159,194**	57,480,871	45,647,337
Management fees		**36,837,490**	12,920,716	3,662,984
Hotel operations		**8,524,756**	-	-
		8,499,047,935	6,762,939,347	3,927,822,594
COST OF SALES AND SERVICES	18	**(4,300,684,977)**	(3,136,059,915)	(1,893,381,563)
GROSS PROFIT		**4,198,362,958**	3,626,879,432	2,034,441,031
OPERATING EXPENSES	19	**(1,145,201,008)**	(893,891,554)	(566,473,801)
OTHER OPERATING INCOME	20	**53,133,383**	33,500,390	28,450,333
OPERATING PROFIT		**3,106,295,333**	2,766,488,268	1,496,417,563
SHARE IN NET LOSS OF ASSOCIATES	10	**(326,580)**	(437,147)	(591,104)
FINANCE COSTS	21	**(44,926,212)**	(132,572,322)	(36,406,762)
REVERSAL OF IMPAIRMENT LOSSES (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS	6, 17	**69,492,639**	(44,779,695)	-
FINANCE INCOME	22	**51,920,745**	18,861,865	5,262,332
OTHER LOSSES - NET		**(962,201)**	(26,582)	(515,708)
PROFIT BEFORE TAX		**3,181,493,724**	2,607,534,387	1,464,166,321
TAX EXPENSE	24	**(743,556,215)**	(438,609,074)	(202,760,529)
NET PROFIT		**P 2,437,937,509**	P 2,168,925,313	P 1,261,405,792
Net profit attributable to:				
Parent Company's shareholders		**P 2,012,289,616**	P 1,667,369,943	P 1,286,936,399
Non-controlling interests		**425,647,893**	501,555,370	(25,530,607)
		P 2,437,937,509	P 2,168,925,313	P 1,261,405,792
Earnings per Share:				
Basic and diluted	27	**P 1.21**	P 0.98	P 0.86

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
NET PROFIT		**P 2,437,937,509**	P 2,168,925,313	P 1,261,405,792
OTHER COMPREHENSIVE INCOME (LOSS) - Net of Tax				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	**8,341,738**	(2,562,785)	(6,776,987)
Tax income (expense)	24	**(2,502,521)**	768,836	2,033,096
		5,839,217	(1,793,949)	(4,743,891)
Item that will be reclassified subsequently to profit or loss				
Fair value gains on available-for-sale financial assets		**-**	-	1,500,000
Tax expense	24	**-**	-	(450,000)
		-	-	1,050,000
		5,839,217	(1,793,949)	(3,693,891)
TOTAL COMPREHENSIVE INCOME		**P 2,443,776,726**	P 2,167,131,364	P 1,257,711,901
Total comprehensive income attributable to:				
Parent Company's shareholders		**P 2,018,128,833**	P 1,665,575,994	P 1,283,242,508
Non-controlling interests		**425,647,893**	501,555,370	(25,530,607)
		P 2,443,776,726	P 2,167,131,364	P 1,257,711,901

See Notes to Consolidated Financial Statements.

	Note	Attributable to Parent Company's Shareholders									
		Capital Stock (See Note 26)	Additional Paid-in Capital (See Note 26)	Treasury Stock (See Note 26)	Revaluation Reserves (See Note 26)	Retained Earnings Appropriated (See Note 26)	Retained Earnings Unappropriated (See Note 26)	Retained Earnings Total	Total	Non-controlling Interests (See Note 26)	Total
Balance at January 1, 2019		**P 1,714,000,000**	**P 1,608,917,974**	**(P 212,459,418)**	**(P 12,428,442)**	**P -**	**P 2,943,393,829**	**P 2,943,393,829**	**P 6,041,423,943**	**P 5,280,557,011**	**P 11,321,980,954**
Transactions with owners of Parent Company	26										
Investments from non-controlling shareholders		-	-	-	-	-	-	-	-	369,825,001	369,825,001
Cash dividend		-	-	-	-	-	(332,590,000)	(332,590,000)	(332,590,000)	(20,000,000)	(352,590,000)
Acquisition of treasury stock		-	-	(34,734,393)	-	-	-	-	(34,734,393)	-	(34,734,393)
		-	-	(34,734,393)	-	-	(332,590,000)	(332,590,000)	(367,324,393)	349,825,001	(17,499,392)
Appropriation for the year	26	-	-	-	-	3,050,000,000	(3,050,000,000)	-	-	-	-
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	-	2,012,289,616	2,012,289,616	2,012,289,616	425,647,893	2,437,937,509
Other comprehensive income		-	-	-	5,839,217	-	-	-	5,839,217	-	5,839,217
		-	-	-	5,839,217	-	2,012,289,616	2,012,289,616	2,018,128,833	425,647,893	2,443,776,726
Balance at December 31, 2019		**P 1,714,000,000**	**P 1,608,917,974**	**(P 247,193,811)**	**(P 6,589,225)**	**P 3,050,000,000**	**P 1,573,093,445**	**P 4,623,093,445**	**P 7,692,228,383**	**P 6,056,029,905**	**P 13,748,258,288**
Balance at January 1, 2018											
As previously reported		P 1,714,000,000	P 1,608,917,974	P -	(P 4,319,093)	P -	P 1,524,723,105	P 1,524,723,105	P 4,843,321,986	P 570,964,912	P 5,414,286,898
Effect of adoption of PFRS 9 and 15		-	-	-	-	-	1,860,381	1,860,381	1,860,381	22,593,229	24,453,610
As restated		1,714,000,000	1,608,917,974	-	(4,319,093)	-	1,526,583,486	1,526,583,486	4,845,182,367	593,558,141	5,438,740,508
Transactions with owners of Parent Company	26										
Investments from non-controlling shareholders		-	-	-	-	-	-	-	-	4,185,443,500	4,185,443,500
Cash dividend		-	-	-	-	-	(256,875,000)	(256,875,000)	(256,875,000)	-	(256,875,000)
Acquisition of treasury stock		-	-	(212,459,418)	-	-	-	-	(212,459,418)	-	(212,459,418)
		-	-	(212,459,418)	-	-	(256,875,000)	(256,875,000)	(469,334,418)	4,185,443,500	3,716,109,082
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	-	1,667,369,943	1,667,369,943	1,667,369,943	501,555,370	2,168,925,313
Derecognition of revaluation reserve due to sale of financial asset at fair value through other comprehensive income		-	-	-	(6,315,400)	-	6,315,400	6,315,400	-	-	-
Other comprehensive loss		-	-	-	(1,793,949)	-	-	-	(1,793,949)	-	(1,793,949)
		-	-	-	(8,109,349)	-	1,673,685,343	1,673,685,343	1,665,575,994	501,555,370	2,167,131,364
Balance at December 31, 2018		P 1,714,000,000	P 1,608,917,974	(P 212,459,418)	(P 12,428,442)	P -	P 2,943,393,829	P 2,943,393,829	P 6,041,423,943	P 5,280,557,011	P 11,321,980,954
Balance at January 1, 2017		P 1,284,000,000	P -	P -	(P 625,202)	P -	P 237,786,706	P 237,786,706	P 1,521,161,504	P 24,058,692	P 1,545,220,196
Transactions with owners of Parent Company	26										
Issuance of capital stock		430,000,000	1,608,917,974	-	-	-	-	-	2,038,917,974	-	2,038,917,974
Investments from non-controlling shareholders		-	-	-	-	-	-	-	-	572,436,827	572,436,827
		430,000,000	1,608,917,974	-	-	-	-	-	2,038,917,974	572,436,827	2,611,354,801
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	-	1,286,936,399	1,286,936,399	1,286,936,399	(25,530,607)	1,261,405,792
Other comprehensive loss		-	-	-	(3,693,891)	-	-	-	(3,693,891)	-	(3,693,891)
		-	-	-	(3,693,891)	-	1,286,936,399	1,286,936,399	1,283,242,508	(25,530,607)	1,257,711,901
Balance at December 31, 2017		P 1,714,000,000	P 1,608,917,974	P -	(P 4,319,093)	P -	P 1,524,723,105	P 1,524,723,105	P 4,843,321,986	P 570,964,912	P 5,414,286,898

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 3,181,493,724**	P 2,607,534,387	P 1,464,166,321
Adjustments for:				
Impairment losses (reversal of impairment losses) on financial assets	6, 17	**(69,492,639)**	44,779,695	-
Depreciation and amortization	19	**60,763,991**	52,474,358	50,790,457
Interest expense on interest-bearing loans and borrowings	15, 21	**33,629,596**	88,467,056	24,197,737
Interest income on bank deposits	5	**(24,599,602)**	(18,861,865)	(5,262,332)
Interest expense on lease liabilities	12	**10,847,248**	-	-
Share in net loss of associates	10	**326,580**	437,147	591,104
Operating profit before working capital changes		**3,192,968,898**	2,774,830,778	1,534,483,287
Decrease (increase) in receivables		**(1,767,475,002)**	497,817,254	(1,980,144,918)
Increase in contract assets		**(3,450,384,035)**	(5,495,689,229)	-
Increase in real estate inventories		**(2,270,211,968)**	(2,072,705,365)	(2,204,259,795)
Increase in deposits on land for future development		**(679,394,084)**	(806,218,927)	(688,647,392)
Increase in prepayments and other current assets		**(1,401,362,497)**	(349,856,907)	(229,789,396)
Decrease (increase) in other non-current assets		**(32,255,180)**	161,340,668	(202,225,414)
Increase in trade and other payables		**3,380,558,499**	362,028,572	712,835,123
Increase (decrease) in contract liabilities		**(38,959,953)**	457,927,612	-
Increase (decrease) in customers' deposits		**148,268,543**	(323,668,472)	39,488,722
Increase (decrease) in post-employment defined benefit obligation		**(3,549,540)**	(7,958,605)	2,480,669
Increase in reserve for property development		**-**	-	529,639,504
Cash used in operations		**(2,921,796,319)**	(4,802,152,621)	(2,486,139,610)
Cash paid for taxes		**(146,210,751)**	(78,391,701)	(428,039)
Net Cash Used in Operating Activities		**(3,068,007,070)**	(4,880,544,322)	(2,486,567,649)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	13	**(2,180,931,208)**	(353,636,773)	(40,233,386)
Acquisitions of property and equipment	11	**(80,638,923)**	(183,934,845)	(46,363,390)
Acquisitions of computer software	14	**(33,955,601)**	(1,620,697)	(1,560,745)
Interest received		**24,599,602**	18,861,865	5,262,332
Collection of advances to related parties	25	**11,206,772**	11,925	8,892,055
Investments in associates	10	**(5,500,000)**	-	-
Proceeds from transfer of financial assets at FVOCI		**-**	55,633,275	-
Additional advances to related parties	25	**-**	(3,324,163)	(2,480,309)
Net Cash Used in Investing Activities		**(2,265,219,358)**	(468,009,413)	(76,483,443)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of interest-bearing loans and borrowings	15	**10,453,706,073**	7,303,922,875	2,227,888,273
Repayments of interest-bearing loans and borrowings	15	**(4,265,207,842)**	(1,766,308,093)	(773,035,248)
Interest paid on interest-bearing loans and borrowings		**(819,196,691)**	(304,926,564)	(158,963,533)
Additional investment from non-controlling shareholders	26	**369,825,001**	74,350,000	572,436,827
Cash dividends paid	26	**(352,590,000)**	(256,875,000)	-
Repayments of lease liabilities	12	**(39,719,752)**	-	-
Acquisition of treasury stock	26	**(34,734,393)**	(212,459,418)	-
Interest paid on lease liabilities	12	**(10,847,248)**	-	-
Proceeds from issuance of shares of stock	26	**-**	-	2,150,000,000
Stock issuance costs charged to additional paid-in capital	26	**-**	-	(111,082,026)
Net Cash From Financing Activities		**5,301,235,148**	4,837,703,800	3,907,244,293
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(31,991,280)**	(510,849,935)	1,344,193,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**949,161,931**	1,460,011,866	115,818,665
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 917,170,651**	P 949,161,931	P 1,460,011,866

Supplemental Information for Non-cash Investing and Financing Activities:

1) The Group recognized right-of-use assets and lease liabilities amounting to P180.0 million in 2019 (see Note 12).

2) In 2019, the Group reclassified investment properties totaling P100.5 million to real estate inventories while, in 2018, it reclassified real estate inventories totaling P816.4 million to investment properties account (see Notes 7 and 13).

3) In 2019, deposits on land for future development of P4.6 billion (P612.0 million in 2018) and P1.1 billion were reclassified to real estate inventories and investment properties, respectively (see Notes 7, 8 and 13)

4) In 2018, non-controlling shareholders of the Group's subsidiaries transferred parcels of land totalling P4.2 billion, which were classified as investment properties, to the subsidiaries in exchange for subsidiaries shares and settlement of an obligation (see Notes 13 and 26).

See Notes to Consolidated Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. It's real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects and retail spaces.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the parent company of CLI.

On January 6, 2017, the Board of Directors (BOD) approved CLI's application for the registration of 1,714 million of its common shares with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering (IPO) of 430 million unissued common shares of CLI. CLI's shares were listed in the PSE on June 2, 2017.

ABS is a holding company, which is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The registered office address of CLI, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines.

1.2 Subsidiaries and Associates

CLI holds ownership interests in the following subsidiaries and associates:

Entity	Note	Effective Percentage of Ownership 2019	2018
Subsidiaries			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	**100**	100
Cebu Landmasters Property Management, Inc. (CPM)	(b)	**100**	100
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	**100**	100
BL CBP Ventures, Inc. (BL Ventures)	(d)	**50**	50
Yuson Excellence Soberano, Inc. (YES)	(e)	**50**	50
Yuson Huang Excellence Soberano, Inc. (YHES)	(f)	**50**	50
YHEST Realty and Development Corporation (YHEST)	(g)	**50**	50

Forward

Entity	Note	Effective Percentage of Ownership 2019	2018
Subsidiaries			
CCLI Premier Hotels, Inc. (CCLI)	(h)	**50**	50
Cebu Homegrown Developers, Inc. (CHDI)	(i)	**50**	-
YHES Premier Hotels Inc. (YHESPH)	(j)	**50**	-
Mivesa Garden Residences, Inc. (MGR)	(k)	**45**	45
El Camino Developers Cebu, Inc. (El Camino)	(l)	**35**	35
Associates			
Magspeak Nature Park, Inc. (Magspeak)	(m)	**25**	25
Ming-mori Development Corporation (MDC)	(n)	**20**	20

CLI and its subsidiaries (collectively referred as "the Group") and its associates are incorporated in the Philippines, except CPM, CPH, CCLI and YHESPH, are in the same line of business with CLI. A brief description of these entities follows:

(a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.

(b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPH is located in Cebu City.

(c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly owned subsidiary as of December 31, 2017. The principal place of business of ASF is located in Cebu City.

(d) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located at Cebu City.

(e) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.

(f) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.

(g) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.

(h) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2019, CCLI has yet to start commercial operations.

(i) CHDI is an undertaking between CLI and Aboitiz Land, Inc. that will engage in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu. CHDI was incorporated on December 5, 2019 and its principal place of business is located in Cebu City.

(j) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES. As at December 31, 2019, YHESPH has yet to start commercial operations.

(k) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.

(l) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.

(m) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.

(n) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in Cebu City.

1.3 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2019 (including the comparative consolidated financial statements for the years ended December 31, 2018 and 2017, were authorized for issue by the BOD on April 7, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty Over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurements of Previously Held Interests in a Joint Operation

Discussed below are the relevant information about these new standard, amendments, interpretations and annual improvements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements, as there are no plan amendment, curtailment or settlement during the year.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's consolidated financial statements, as all investment in an associate or joint venture are accounted under equity method.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group's consolidated financial statements, as there are no negative compensation attached on its financial assets.

(iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the full retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has not resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019 because all of the Group's long-term lease contracts commenced only in 2019.

The new accounting policies of the Group as a lessee are disclosed in Note 2.16(a), while the accounting policies of the Group as a lessor, as described in Note 2.16(b), were not significantly affected.

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11(Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) Effective Subsequent to 2019 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(c) SEC Memorandum Circulars in Relation to Adoption of PFRS 15 in 2018

Relative to the adoption of PFRS 15, *Revenue from Contracts with Customers*, together with the *Clarifications to PFRS 15* in 2018, the SEC issued the following Memorandum Circulars (MC), which provided relief by deferral of the application on the following items until calendar year ending December 31, 2020:

- SEC MC No. 14, Series of 2018:
  - Concept of the significant financing component in the contract to sell, which is the adjustment for the time value of money due to higher payment [buyer pays ahead of the percentage of completion (POC)] and lower payment (POC is ahead of the buyer's payment);
  - Exclusion of land in the determination of POC; and,
  - Exclusion of the uninstalled materials in the determination of POC

- SEC MC No. 3, Series of 2019:
  - Accounting for common usage service area charges; and,
  - Accounting for cancellation of real estate sales

- SEC MC No. 4, Series of 2020:
  - IFRIC agenda decision on over time transfer of constructed goods for real estate industry which clarify that borrowing costs on inventory for unsold units under construction are not capitalized

The Group opted to avail of the relief provided by the foregoing MCs, except for the exclusion of land in the determination of POC and accounting for common usage service are charges which were adopted on January 1, 2018. Upon the expiration of said relief, the following are the expected impact on the consolidated financial statements:

- Had the concept of significant financing component been adopted in 2018, the Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser, thus it would have either decreased or increased revenues, as the case may be. Both interest income and expense are calculated using the effective interest rate method.

- There would have been a decrease in the POC applied in recognizing revenue from real estate sales had the exclusion of the uninstalled materials in computing the POC been applied in 2018. Had it been applied in 2018, POC would have decreased in 2019 and 2018 resulting in decrease in revenues in 2019 and 2018.

- In relation to the accounting for cancellation of real estate sales, repossessed inventory would have been recorded at either fair value plus repossession costs or fair value less repossession costs. The Group currently records repossessed inventory at its carrying amount and recognize in profit or loss the difference between the carrying amount of the repossessed inventory and receivable. Had it been applied in 2018, real estate inventories would have increase in 2019 and 2018 resulting in increase in other operating income in both years.

- Had the Group adopted SEC MC No. 4, Series of 2020, there would have been a decrease in the retained earnings balance as at January 1, 2019 and net profit in 2019. Under the MC, borrowing costs cannot be capitalized on unsold real estate inventories.

Management is currently monitoring and assessing the impact of the foregoing MCs when adopted in 2021.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and associates and non-controlling interests as shown below.

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the share in net loss of associates in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions–that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's financial assets is composed of financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (excluding Advances to officers and employees), Due from Related Parties and Other Non-current Assets in respect of the refundable deposits included therein.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and, which are subject to insignificant risk of changes in value.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Company calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the statement of profit or loss as part of Finance Income.

(b) Impairment of Financial Assets

The Group assesses and recognizes an allowance for expected credit losses (ECL) on its financial assets measured at amortized cost. The measurement of the ECL involves consideration of broader range of information in assessing credit risk, including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Group assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Group considers both quantitative and qualitative criteria as further discussed in Note 30.2(b).

The amount of allowance for ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses impairment of receivables and contract assets on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for receivables and contract assets by applying a method that evaluates the credit quality of a portfolio of receivables and contract assets and the cumulative loss rates by analyzing historical net charge-offs arising from cancellations and back-out sale for homogenous accounts that share the same origination period.

For other credit exposures such as due from related parties and refundable deposit, ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL). For deposits in cash and cash equivalents, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – it is an estimate of likelihood of a counterparty defaulting of its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.

- *Loss Given Default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Group expects to receive. For receivables and contract assets, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, Realty Installment Buyer Protection Act or Maceda law.

- *Exposure at Default* – it represents the gross carrying amount of the financial assets in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Real Estate Inventory

This pertains to cost of land and development costs of real estate properties that are being developed, and those that are already available for sale. Interest incurred during the development of the project is capitalized (see Note 2.15).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date.

Real estate inventory is valued at the lower of cost and net realizable value. Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The effect of revisions in the total project cost estimates is recognized in the year in which these changes become known. Any probable loss from a real estate project is charged to current operations when determined.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to either Real Estate Inventory or Investment Property account.

The Group present land for future development that are intended for subdivision and condominium for sale under current assets while those that are intended for commercial leasing or with no definite plans as non-current assets in the consolidated statement of financial position.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as part of non-current assets.

2.9 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see Note 2.15).

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Construction-in-progress is not depreciated until the completion of the constructed asset.

Fully-depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and depreciation is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization, and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties are completed and under construction or development properties that are held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see Note 2.15).

Investment properties are carried at cost, net of accumulated depreciation, except for land which is not subjected to depreciation, and any impairment in value. Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 years.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.15) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 2.17).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings and trade and other payables [except government-related obligations, advance rental and output value-added tax (VAT)], are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability, except those that are capitalized, are recognized as Finance Costs in the consolidated statement of profit or loss.

Interest-bearing loans and borrowings are raised for support of funding of operations and construction of projects. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer) or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Revenue and Expense Recognition

Revenue of the Group arises mainly from the sale of real estate units, lease of property and rendering of management services. However, lease of property is accounted for separately (see Note 2.16).

The Group follows the five-step process below to when it recognizes revenue.

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

A contract with a customer is identified when the following five gating criteria are present:

(i) the parties to the contract have approved the contract either in writing or in accordance with the customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

(a) *Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy (RFO) units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Group and the buyer.

When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the consolidated statement of financial position.

Subsequent cancellations of prior year sales are deducted from real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

(b) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities, which consume the benefit as the Group performs. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as part of contract receivables as only the passage of time is required before payment of these amounts will be due.

(c) *Hotel operations* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

The Group presents a contract asset when the value of property development performed in proportion to the contract price is greater than the consideration received. A contract asset is the Group's right to consideration in exchange for the performance of property development to the unit transferred to a customer.

A contract receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers control of an RFO unit or performs property development. A contract liability is the Group's obligation to transfer goods or perform property development for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

When the Group incurs incremental costs of obtaining a contract with a customer that it would not have incurred should the contract had not been obtained and expects these costs to be recovered, such contract costs are recognized as an asset. On the other hand, costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards (see Notes 2.6 and 2.10).

Until December 31, 2017, the Group recognizes revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. For rendering of services, revenue is recognized by reference to the stage of completion, measured by reference to the labor hours incurred to date as a percentage of total estimated labor hours for each contract. This is generally when the customer has approved the services that have been provided. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.15).

2.15 Borrowing Costs

Borrowing costs are recognized in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

As indicated in Note 2.2*(c)*, the Group opted for the deferral of the adoption of IFRIC agenda decision on over time transfer of constructed goods for real estate industry, as allowed used SEC MC No. 4, Series of 2020, thus, it continues to capitalize borrowing cost related to its real estate development.

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, right-of-use assets, investment properties, investment in associates and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period.

The calculation takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated statement of profit or loss. Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment, if any.

(b) Post-Employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Performance Bonus

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity within the Group.

2.20 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

For purposes of reporting of material related party transactions for publicly-listed companies to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with the related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote to approve the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

2.21 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee, its chief operating decision maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's geographical location, which represent the main products and services provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except post-employment benefit expenses in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Treasury shares represent the shares that are reacquired by the Parent Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared. Appropriated retained earnings are retained earnings that have been set aside by the Group for specific purpose and are not available for dividend declarations.

Non-controlling interest (NCI) represents equity in consolidated entities that are not attributable, directly or indirectly to the Parent Company. This increases by equity investments from non-controlling shareholders, share in profit or loss and share in each component of other comprehensive income in the consolidated entities. This decreases by dividends declared to non-controlling shareholders.

The Group adjusts the carrying amount of NCI to reflect the changes in their relative interests in the consolidated entities when the proportion of the equity held by NCI changes. The Group directly recognize in equity any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Parent Company.

2.23 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Performance of Property Development on Real Estate Units Sold Under Pre-completed Contracts

The Group determined that its revenue from property development on condominium and subdivision units sold under pre-completed contracts shall be recognized over time. In making its judgment, the Group considered that it has no alternative use to the real estate unit sold and that it has right to the consideration as it performs property development. The Group performs the property development without the need of reperformance from other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's performance of property development as construction progresses.

In determining the best method of measuring the progress of the Group's performance of property development, management considers the input method under PFRS 15 because of the direct measurements of the value to the customer of the property development to date relative to the promised unit under the contract.

(ii) Sale of RFO Real Estate Units

The Group determines that its revenue from sale of RFO units shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(c) Determination of Collection Threshold for Revenue Recognition

The transaction price is considered receivable to the extent of products sold with a right of return. Such variable consideration is estimated based on the method described on Note 3.1*(d)*. Moreover, the Group considers the collectability of the total transaction price to be reasonably assured. In determining whether total transaction price is collectible, the Group considers the paying capacity of the buyer and an initial and continuing investment by the buyer of a certain percentage of the contract price would demonstrate the buyer's commitment to fulfil the obligations of the Group. Management's evaluation of historical and expected sales cancellation rate is a very important factor in its determination of the appropriate collection rate that it uses as benchmark in determining that collection is reasonably assured. Management regularly assess the factors that it considers in determining that collection is reasonably assured to adjust to changing times and circumstances.

Major changes in management's assumptions or its failure to make the right judgment could potentially have a significant impact on the consolidated financial statements.

(d) Assessment Involving Right of Return

The Group's sale of real estate under pre-completed contracts has variable consideration, which is the right of return when a buyer defaulted the equity payments. Moreover, Republic Act No. 6552, *Realty Installment Buyer Act* or, which is popularly known in the Philippines as the Maceda Law, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to fifty percent of the total collected amount, and, after five years of installments, an additional 5% every year but not to exceed ninety percent of the total collections received.

Management is confident that when the collections received from the buyers exceed a certain threshold, it would be remote that the buyer will default and the contract will be cancelled. Accordingly, as discussed in Note 2.14 under identification of contract, the Group will not recognize the whole contract and no revenue will be recognized when the threshold is not yet reached.

(e) Determination of ECL on Receivables and Contract Assets

The Group uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. This approach considers and includes reasonable approximation of probable and estimable future losses determined by applying historical gross charge-off information (arising from cancellations and back-out sales) to forward-looking qualitative information (i.e., forecast of economic condition). While there may be an assessed default occurring in these receivables over the term of the instrument, the amount of required allowance for ECL is minimized since the legal title related to the unit sold will only be transferred once the contract receivable has been paid in full, and the Group has the right to recover the real estate properties covered by the contract with customer through repossession, and to resell the asset at an amount sufficient to cover the unpaid outstanding obligations. On the other hand, additional ECL may be calculated for certain pool of trade receivables specifically determined to have expected cash shortfall based on outstanding exposures. These generally arise from receivables which were charged-off at an earlier term of the instrument since origination period.

(f) Distinction Between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

(g) *Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Currently, its leases are all operating leases.

(h) *Accounting for Equity Ownership Interest in Subsidiaries and Associates*

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of CHDI and YHESPH (since 2019), YHEST and CCLI (since 2018), MGR and YHES (since 2017), and BL Ventures, El Camino and YES (since 2016), from the time of their incorporation as indicated in Note 1.2. It had able to demonstrate control over the operations of the foregoing investees despite having its shareholdings at 50% or less by virtue of a formal agreement among the shareholders of the investees and its actual role in the investees operations. Accordingly, these companies are accounted for as subsidiaries of the Parent Company.

(i) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Management also applies judgement in the estimation of the contractual cash flows due from counterparties that the Group would expect to receive from the realization of any credit enhancements, including the discounting factor for recoveries beyond one year. Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 30.2(b).

(c) *Determination of Net Realizable Value of Real Estate Inventory*

In determining the net realizable value of real estate inventory, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7, is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventory within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventory for sale are determined to be higher than their related costs.

(d) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, right-of use assets and investment properties are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2019 and 2018, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(e) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17).

Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, particularly property and equipment, right-of-use assets and investment properties, as at December 31, 2019, 2018 and 2017.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit as well as the significant assumptions used in estimating such obligation are presented in Note 23.2.

(g) Fair Value Measurement for Investment Properties

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation and to earn rental income disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2019 and 2018 is disclosed in Notes 13 and 31.3.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office units to individual and corporate buyers. The rental segment includes leasing of office and commercial spaces to corporate organizations. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations. The hotel operations segment relates to the management of hotel business operations that caters hotel guest.

Segment accounting policies are the same as the policies described in Note 2.21. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation, if any.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2019, 2018 and 2017 and certain assets and liabilities information regarding segments as at December 31, 2019 and 2018:

	2019				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 8,390,526,495	P 63,159,194	P 36,837,490	P 8,524,756	P 8,499,047,935
Intersegment sales	67,244,500	-	40,954,771	-	108,199,271
Total revenues	8,457,770,995	63,159,194	77,792,261	8,524,756	8,607,247,206
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	4,296,571,881	19,469,641	10,982,468	5,396,434	4,332,420,424
Operating expenses excluding depreciation and amortization	1,143,844,783	784,399	205,684	32,594	1,144,867,460
Depreciation and amortization	60,009,821	578,453	151,681	24,036	60,763,991
Reversal of impairment losses	(69,462,639)	-	-	-	(69,462,639)
Total costs and expenses	5,430,933,846	20,832,493	11,339,833	5,453,064	5,468,559,236
SEGMENT OPERATING PROFIT	P 3,026,837,149	P 42,236,701	P 66,452,428	P 3,071,692	P 3,138,687,970
ASSETS AND LIABILITIES					
Segment assets	P 38,390,634,815	P 401,633,301	P 33,380,006	P 13,094,623	P38,838,742,745
Segment liabilities	23,621,575,022	227,030,836	26,463,868	13,236,324	23,888,306,050

	2018				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 6,692,537,760	P 57,480,871	P 12,920,716	P -	P 6,762,939,347
Intersegment sales	114,621,896	-	23,716,627	-	138,338,523
Total revenues	6,807,159,656	57,480,871	36,637,343	-	6,901,277,870
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	3,135,769,955	18,571,792	7,206,006	-	3,161,547,753
Operating expenses excluding depreciation and amortization	851,061,782	93,614	69,948	-	851,225,344
Depreciation and amortization	59,989,527	707,407	67,057	-	60,763,991
Impairment losses	44,779,695	-	-	-	44,779,695
Total costs and expenses	4,091,600,959	19,372,813	7,343,011	-	4,118,316,783
SEGMENT OPERATING PROFIT	P 2,715,558,697	P 38,108,058	P 29,294,332	P -	P 2,782,961,087
ASSETS AND LIABILITIES					
Segment assets	P 25,293,986,157	P 302,701,312	P 13,223,444	P -	P 25,609,910,913
Segment liabilities	13,549,722,355	149,036,231	11,776,432	-	13,710,535,018

	2017				
	Real Estate	Rental	Management Services	Hotel Operations	Total
REVENUES					
Sale to external customer	P 3,878,512,273	P 45,647,337	P 3,662,984	P -	P 3,927,822,594
Intersegment sales	22,319,769	-	8,160,343	-	30,480,112
Total revenues	3,900,832,042	45,647,337	11,823,327	-	3,958,302,706
COSTS AND EXPENSES					
Costs of sales and services excluding depreciation and amortization	1,866,434,506	18,197,353	1,812,863	-	1,886,444,722
Operating expenses excluding depreciation and amortization	534,178,966	233,080	746,966	-	535,159,012
Depreciation and amortization	50,075,269	682,577	32,611	-	50,790,457
Total costs and expenses	2,450,688,741	19,113,010	2,592,440	-	2,472,394,191
SEGMENT OPERATING PROFIT	P 1,450,143,301	P 26,534,327	P 9,230,887	P -	P 1,485,908,515

The real estate segment is further analyzed based on their geographical location as shown in Note 17.1. Both rental and management services segments are located in Cebu City.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented

4.5 Reconciliation

Following is a reconciliation of the Group's segment information to the key financial information presented in its financial statements.

	2019	2018	2017
Revenues			
Total segment revenues	**P 8,607,247,206**	P 6,901,277,870	P 3,958,302,706
Elimination of intersegment revenues	**(108,199,271)**	(138,338,523)	(30,480,112)
Revenues as reported in profit or loss	**P 8,499,047,935**	P 6,762,939,347	P 3,927,822,594
Profit or loss			
Segment operating profit	**P 3,138,687,970**	P 2,782,961,087	P 1,485,908,515
Elimination of intersegment accounts	**(16,033,381)**	(94,752,904)	(17,941,285)
Other operating income	**53,133,383**	33,530,390	28,450,333
Finance income	**51,920,745**	18,861,865	5,262,332
Finance costs	**(44,926,212)**	(132,572,322)	(36,406,762)
Share in net loss in associates	**(326,580)**	(437,147)	(591,104)
Other losses	**(962,201)**	(26,582)	(515,708)
Profit before tax as reported in profit or loss	**P 3,181,493,724**	P 2,607,534,387	P 1,464,166,321
Assets			
Segment assets and total assets reported in statements of financial position	**P38,838,742,745**	P 25,609,910,913	
Elimination of intercompany accounts	**(555,300,509)**	(182,246,115)	
Total assets as reported in statements of financial position	**P38,283,442,236**	P 25,427,664,798	
Liabilities			
Segment liabilities	**P23,888,306,050**	P 13,710,535,018	
Deferred tax liabilities	**1,124,886,722**	537,036,656	
Elimination of intercompany accounts	**(478,008,824)**	(141,887,830)	
Total liabilities as reported in statements of financial position	**P24,535,183,948**	P 14,105,683,844	

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	2019	2018
Cash on hand	**P 3,915,691**	P 605,006
Cash in banks	**749,160,824**	474,238,425
Short-term placements	**164,094,136**	474,318,500
	P 917,170,651	P 949,161,931

Cash in banks (savings and demand deposits) generally earn interest based on daily bank deposit rates. Short-term placements are made for varying period from 10 to 90 days and earn effective interest ranging from 1.74% to 6.00%, 3.18% to 4.52% and 0.38% to 2.38% per annum for 2019, 2018 and 2017, respectively.

Interest income earned from cash and cash equivalents amounted to P24,599,602, P18,861,865 and P5,262,332 in 2019, 2018 and 2017, respectively, are presented as part of Finance Income in the consolidated statements of profit or loss (see Note 22).

6. RECEIVABLES

This account includes the following:

	Notes	2019	2018
Contract receivables:			
Third parties		**P 5,389,904,540**	P 3,637,367,297
Related parties	25.3, 25.4	**166,101,518**	214,328,706
Rent receivable		**68,073,716**	62,685,150
Advances to officers and employees		**50,467,948**	38,737,575
Retention receivable		**24,261,678**	31,904,954
Management fee receivable		**13,465,493**	4,091,247
Other receivables		**164,136,262**	70,333,035
		5,876,411,155	4,059,447,964
Allowance for impairment	30.2*(b)*	**(348,217)**	(20,352,667)
		P 5,876,062,938	P 4,039,095,297

Receivables are presented in the consolidated statements of financial position as follows.

	2019	2018
Current	**P 5,204,137,996**	P 3,093,200,762
Non-current	**671,924,942**	945,894,535
	P 5,876,062,938	P 4,039,095,297

Buyers of real estate properties are given two to three years to complete the amortization of their down payment which ranges from 15% to 20% of the contract price of the real estate being purchased. Contract receivables, which are all covered by postdated checks, are only recognized when the collection of total transaction price is reasonably assured and the corresponding revenue is recognized. Generally, full payment by buyers of their equity payments is made within 24 to 36 months following the recognition of sale which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Long-term contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on noninterest-bearing contract receivables amounts to P33,222,449 and P60,193,686 as at December 31, 2019 and 2018, respectively. Amortization of day one loss of noninterest bearing contract receivables, net of day one loss, amounted to P26,971,237 in 2019 and presented as part of Finance Income in the 2019 consolidated statement of profit or loss (see Note 22). While in 2018 and 2017, the Group has Day one loss on noninterest bearing contract receivables, net of amortization of day one loss, amounted to P42,964,142 and P11,589,073, respectively, and is presented as part of Finance Costs in the 2018 and 2017 consolidated statements of profit or loss (see Note 21).

Advances to officers and employees are composed of advances intended for Group's operations and are subject to liquidation.

Retention receivable represents amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay off their obligations to the Group.

The Group assesses an ECL when the receivables from contract with customers are initially recognized and update the assessment at each reporting date based on the analysis determined by management. A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Note	2019	2018
Balance at beginning of year		**P 20,352,667**	P 7,915,506
Reversal of impairment losses	30.2*(b)*	**(20,004,450)**	-
Impairment losses	30.2*(b)*	**-**	12,437,161
Balance at end of year		**P 348,217**	P 20,352,667

7. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	Note	2019	2018
Subdivision units		**P 876,676,564**	P 434,906,435
Condominium units		**811,662,344**	479,027,175
		1,688,338,908	913,933,610
Construction-in-progress (CIP):			
Land development costs		**2,883,486,160**	1,435,340,061
Condominium building costs		**2,377,186,221**	794,298,221
Housing costs		**369,214,409**	718,815,323
		5,629,886,790	2,948,453,605
Raw land inventory	8	**2,128,727,220**	2,394,139,980
		P9,446,952,918	P6,256,527,195

An analysis of the cost of real estate inventory included in cost of sales is presented in Note 18.

Land development costs pertain to the cost of land acquisition, and site development costs of subdivision projects and other future site projects of the Group.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical projects of the Group.

Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land owned by the Group that are located in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2019 and 2018, the Group reclassified deposits on land for future development amounting to P4,664,764,665 and P612,046,854, respectively, to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated (see Note 8).

Borrowing costs that are capitalized as part of real estate inventory amounted to P802,545,130 and P242,236,345 in 2019 and 2018, respectively, which represents the general and specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for general borrowings ranges from 3.72% to 6.50% and 2.00% to 5.50% for the years ended December 31, 2019 and 2018, respectively.

In 2019, the Group reclassified investment properties totaling P100,474,287 to real estate inventories while, in 2018, it reclassified real estate inventories totaling P816,408,411 to investment properties account (see Note 13).

Real estate inventories totaling to P9,119,780,130 and P2,348,343,299 as at December 31, 2019 and 2018, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account pertains to advance payments for acquisitions of certain parcels of land which are intended for future development into saleable or leasable real estate projects.

A reconciliation of the deposits on land for future development is presented below.

	Notes	2019	2018
Balance at the beginning of year		**P1,754,763,446**	P 948,544,519
Additions		**5,324,158,749**	1,418,265,781
Transferred to raw land inventory	7	**(4,644,764,665)**	(612,046,854)
Transferred to investment properties	13	**(1,144,758,533)**	-
Balance at end of year		**P1,289,398,997**	P1,754,763,446

The deposits on land for future development is presented in the consolidated statements of financial position as follows:

	2019	2018
Current	**P1,289,398,997**	P 621,175,611
Non-current	**-**	1,133,587,835
	P1,289,398,997	P1,754,763,446

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	2019	2018
Advances to subcontractors	**P 698,243,154**	161,206,317
Prepaid commissions	**546,134,504**	230,290,513
Input VAT and deferred input VAT	**518,266,344**	263,307,072
Advances to suppliers	**353,197,037**	87,222,473
Prepaid expenses	**131,725,809**	110,039,390
Others	**17,937,558**	12,076,144
	P2,265,504,406	P 864,141,909

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid in behalf of subcontractors. These are applied against the progress billings of subcontractors.

In 2019, 2018 and 2017, the Group expensed prepaid commissions of P301,751,479, P264,860,997 and P146,236,559, respectively, based on the POC of its related real estate contract and is presented as Commissions under the Operating Expenses account in the consolidated statements of profit or loss (see Note 19)

Prepaid expenses include advance payment for insurance and rent.

10. INVESTMENTS IN ASSOCIATES

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2019 and 2018 is shown below.

	2019	2018
Balance at beginning of year	**P 11,205,003**	P 11,642,150
Additional investments	**5,500,000**	-
Share in net loss during the year	**(326,580)**	(437,147)
Balance at end of year	**P 16,378,423**	P 11,205,003

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2019 is shown below.

	Magspeak	MDC	Total
Cost			
Balance at beginning of year	P 5,135,096	P 11,600,000	P 16,735,096
Additional investment	5,500,000	-	5,500,000
Balance at end of year	10,635,096	11,600,000	22,235,096
Accumulated equity in net losses			
Balance at beginning of year	(130,765)	(5,399,328)	(5,530,093)
Equity in net profit (loss) during the year	(411,589)	85,009	(326,580)
Balance at end of year	(542,354)	(5,314,319)	(5,856,673)
Net carrying amount	**P 10,092,742**	**P 6,285,681**	**P 16,378,423**

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2018 is shown below.

	Magspeak	MDC	Total
Cost			
Balance at beginning and end of year	P 5,135,096	P 11,600,000	P 16,735,096
Accumulated equity in net losses			
Balance at beginning of year	(19,565)	(5,073,381)	(5,092,946)
Equity in net loss during the year	(111,200)	(325,947)	(437,147)
Balance at end of year	(130,765)	(5,399,328)	(5,530,093)
Net carrying amount	P 5,004,331	P 6,200,672	P 11,205,003

Significant information on the financial position and financial performance of the associates as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019		2018	
	Magspeak	**MDC**	Magspeak	MDC
Current assets	**P 23,553,459**	**P 30,519,382**	P 1,785,240	P 31,310,024
Non-current assets	**16,828,516**	**-**	18,234,084	-
Total assets	**P 40,381,975**	**P 30,519,382**	P 20,019,324	P 31,310,024
Current liabilities	**P 11,000**	**P 90,975**	P -	P 306,667
Non-current liabilities	**20,479,885**	**-**	20,479,885	-
Total liabilities	**P 20,490,885**	**P 90,975**	P 20,479,885	P 306,667
Total revenues	**P -**	**P -**	P -	P -
Net profit (loss)	**(P 1,646,356)**	**P 425,045**	P 444,800	P 1,629,736
Other comprehensive income	**-**	**-**	-	-
Total comprehensive loss	**(P 1,646,356)**	**P 425,045**	P 444,800	P 1,629,736

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates is shown below.

	2019		2018	
	Magspeak	**MDC**	Magspeak	MDC
Net assets	P 19,891,090	P 31,428,405	P 20,017,323	P 31,003,360
Proportion of equity interest by the Group	25%	20%	25%	20%
Carrying value of investment	**P 4,972,773**	**P 6,285,681**	P 5,004,331	P 6,200,672

Shares in net losses of associates totaling P326,580, P437,147 and P591,104 were recognized in 2019, 2018 and 2017, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2019, 2018 and 2017.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	Land	Building	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
December 31, 2019								
Cost	P 139,794,060	P 150,489,580	P 62,468,842	P 41,012,216	P 26,085,688	P 2,330,639	P 72,079,085	P 494,260,110
Accumulated depreciation and amortization	-	(67,413,259)	(23,635,550)	(29,791,432)	(16,065,951)	(2,232,938)	-	(139,139,130)
Net carrying amount	**P 139,794,060**	**P 83,076,321**	**P 38,833,292**	**P 11,220,784**	**P 10,019,737**	**P 97,701**	**P 72,079,085**	**P 355,120,980**
December 31, 2018								
Cost	P 139,198,121	P 147,503,733	P 52,750,891	P 50,638,536	P 21,833,195	P 2,355,282	P 16,673,810	P 430,953,568
Accumulated depreciation and amortization	-	(46,341,468)	(17,125,820)	(26,982,786)	(12,790,293)	(1,992,481)	-	(105,232,848)
Net carrying amount	P 139,198,121	P 101,162,265	P 35,625,071	P 23,655,750	P 9,042,902	P 362,801	P 16,673,810	P 325,720,720
January 1, 2018								
Cost	P -	P 143,924,630	P 47,076,085	P 33,730,848	P 19,399,779	P 2,305,996	P 603,709	P 247,041,047
Accumulated depreciation and amortization	-	(24,251,066)	(11,464,270)	(25,207,083)	(9,393,876)	(1,755,310)	-	(72,071,605)
Net carrying amount	P -	P 119,673,564	P 35,611,815	P 8,523,765	P 10,005,903	P 550,686	P 603,709	P 174,969,442

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below.

	Land	Building	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 139,198,121	P 101,162,265	P 35,625,071	P 23,655,750	P 9,042,902	P 362,801	P 16,673,810	P 325,720,720
Additions	595,939	2,985,847	9,964,093	7,152,251	4,535,518	-	55,405,275	80,638,923
Reclassification	-	-	(246,142)	(16,778,571)	(144,982)	(24,643)	-	(17,194,338)
Depreciation and amortization for the year	-	(21,071,791)	(6,509,730)	(2,808,646)	(3,413,701)	(240,457)	-	(34,044,325)
Net carrying amount	**P 139,794,060**	**P 83,076,321**	**P 38,833,292**	**P 11,220,784**	**P 10,019,737**	**P 97,701**	**P 72,079,085**	**P 355,120,980**
Balance at January 1, 2018 net of accumulated depreciation and amortization	P -	P 119,673,564	P 35,611,815	P 8,523,765	P 10,005,903	P 550,686	P 603,709	P 174,969,442
Additions	139,198,121	3,579,103	5,674,806	16,907,688	2,455,740	49,286	16,070,101	183,934,845
Depreciation and amortization for the year	-	(22,090,402)	(5,661,550)	(1,775,703)	(3,418,741)	(237,171)	-	(33,183,567)
Net carrying amount	P 139,198,121	P 101,162,265	P 35,625,071	P 23,655,750	P 9,042,902	P 362,801	P 16,673,810	P 325,720,720
Balance at January 1, 2017 net of accumulated depreciation and amortization	P -	P 109,579,700	P 33,579,648	P 8,928,459	P 10,606,516	P 1,663,177	P -	P 164,357,500
Additions	-	32,733,582	6,707,856	3,508,340	2,809,903	-	603,709	46,363,390
Reclassifications	-	(3,442,545)	-	-	-	-	-	(3,442,545)
Depreciation and amortization for the year	-	(19,197,173)	(4,675,689)	(3,913,034)	(3,410,516)	(1,112,491)	-	(32,308,903)
Net carrying amount	P -	P 119,673,564	P 35,611,815	P 8,523,765	P 10,005,903	P 550,686	P 603,709	P 174,969,442

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 19).

Certain building, office equipment, furniture and fixtures and leasehold improvements with a total carrying amount of P70,260,964 and P73,415,817 as at December 31, 2019 and 2018, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

As at December 31, 2019 and 2018, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P67,434,959 and P38,485,932, respectively.

12. LEASES

In 2019, the Group entered into lease contracts, as lessee, for leases of land and an office space. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the 2019 consolidated statement of financial position as Right-of-use Asset and the corresponding obligation, as Lease Liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. Under the lease contracts, the Group is prohibited from selling or pledging the underlying leased assets as security. For the lease of an office space, the Group must keep the related property in a good state of repair and return the property in good state at the end of the lease. For the lease on the land, the Group must insure all the improvements made on the property.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the 2019 consolidated statement of financial position.

	Number of right of-use assets leased	Lease term	Number of leases with extension option	Number of leases with purchase option	Number of leases with termination options
Land	1	40 years	-	-	-
Office space	1	5 years	1	-	1

12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at December 31, 2019 and the movements during the period are shown below.

	Land	Office Space	Total
Balance at beginning of year	P -	P -	P -
Additions	171,439,329	8,556,881	179,996,210
Amortization	(4,285,983)	(950,764)	(5,236,747)
Balance at end of year	**P 167,153,346**	**P 7,606,117**	**P174,759,463**

12.2 Lease Liabilities

Lease liabilities presented in the consolidated statement of financial position as at December 31, 2019 follows:

Current	P 1,775,306
Non-current	138,501,152
	P 140,276,458

The Group is fully liable for the rentals on the remaining term of the lease of office space, including any interest, penalties, utility charges and damages for termination prior to expiration of the contract. The contract of lease on land does not provide for any future lease termination and extension options.

In 2019, the Group paid an advance rental of P50,000,000 at the start of the lease of land and will be applied to the first five years of the lease term. This amount was deducted to the lease liabilities as at December 31, 2019.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Lease payments	P 2,175,863	P 1,838,143	P 1,930,050	P 3,027,053	P 13,410,229	P 699,967,572	P 722,348,910
Finance charges	(400,557)	(321,592)	(233,053)	(134,141)	(1,035,489)	(579,947,620)	(582,072,452)
Net present values	P 1,775,306	P 1,516,551	P 1,696,997	P 1,892,412	P 12,374,740	P 121,020,452	P 140,276,458

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets has an aggregate amount of P33,941,185, P15,275,105 and 11,999,959 in 2019, 2018 and 2017, respectively, and is presented as Rent under the Operating Expenses in the consolidated statements of profit of loss (see Note 19).

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P50,567,000 in 2019, which include the interest expense in relation to lease liabilities amounted to P10,847,248 and is presented as part of Interest expense on lease liabilities under Finance Costs in the 2019 consolidated statement of profit or loss (see Note 21).

13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for development of properties, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2019 and 2018 are shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
December 31, 2019						
Costs	P 100,228,005	P 285,413,555	P 31,371,804	P 5,742,274,541	P 2,821,044,269	P 8,980,332,174
Accumulated depreciation	(15,112,259)	(55,981,489)	(4,393,726)	-	-	(75,487,474)
Carrying amount	**P 85,115,746**	**P 229,432,066**	**P 26,978,078**	**P 5,742,274,541**	**P 2,821,044,269**	**P 8,904,844,700**
December 31, 2018						
Costs	P 45,228,005	P 285,413,555	P 31,371,804	P 4,576,694,945	P 816,408,411	P 5,755,116,720
Accumulated depreciation	(11,475,859)	(41,710,811)	(2,825,136)	-	-	(56,011,806)
Carrying amount	P 33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,945	P 816,408,411	P 5,699,104,914
January 1, 2018						
Costs	P 45,228,005	P 285,256,727	P 31,371,804	P -	P -	P 361,859,536
Accumulated depreciation	(9,214,459)	(27,443,020)	(1,256,546)	-	-	(37,914,025)
Carrying amount	P 36,013,546	P 257,816,707	P 30,115,258	P -	P -	P 323,945,511

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2019 and 2018 is shown below.

	Retail Building	Condominium Units	Parking Units	Land	Construction in Progress	Total
Balance at January 1, 2019 net of accumulated depreciation	P 33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,945	P 816,408,411	P 5,699,104,914
Additions	55,000,000	-	-	20,821,063	2,105,110,145	2,180,931,208
Reclassifications	-	-	-	1,144,758,533	(100,474,287)	1,044,284,246
Depreciation during the year	(3,636,400)	(14,270,678)	(1,568,590)	-	-	(19,475,668)
Balance at December 31, 2019 net of accumulated depreciation	**P 85,115,746**	**P 229,432,066**	**P 26,978,078**	**P 5,742,274,541**	**P 2,821,044,269**	**P 8,904,844,700**
Balance at January 1, 2018 net of accumulated depreciation	P 36,013,546	P 257,816,707	P 30,115,258	P -	P -	P 323,945,511
Additions	-	153,828	-	4,576,694,945	-	4,576,848,773
Reclassifications	-	-	-	-	816,408,411	816,408,411
Depreciation during the year	(2,261,400)	(14,267,791)	(1,568,590)	-	-	(18,097,781)
Balance at December 31, 2018 net of accumulated depreciation	P 33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,945	P 816,408,411	P 5,699,104,914

In 2019, the Group reclassified investment properties totaling P100.5 million to real estate inventories account. However, in 2018, the Group reclassified real estate inventories totaling P816.4 million to investment properties account (see Note 7).

Income and expenses from investment properties for the years ended December 31, 2019, 2018 and 2017 are presented below.

	Notes	2019	2018	2017
Rental income:	17.1			
Retail building		**P 32,594,457**	P 21,801,714	P 11,814,640
Condominium units		**29,929,142**	35,062,970	33,556,729
Parking units		**635,595**	616,187	275,968
		P 63,159,194	P 57,480,871	P 45,647,337
Expenses:				
Depreciation		**P 19,475,668**	P 18,097,781	P 17,394,529
Real property taxes		**179,375**	717,228	1,064,559
	18	**P 19,655,043**	P 18,815,009	P 18,459,088

The expenses are included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2019, 2018 and 2017 (see Note 18).

Investment properties have a total fair value of P10,242,045,810 and P5,907,123,491 as at December 31, 2019 and 2018, respectively, based on the appraisal done by an independent expert [see Note 31.3*(c)*]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2019 and 2018 [see also Note 3.2*(e)*].

Investment property with a total carrying amount of P1,041,408,890 and P236,426,053 as at December 31, 2019 and 2018, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	2019	2018
Refundable deposits	**P 66,028,148**	P 57,418,776
Computer software - net of accumulated amortization	**34,153,195**	2,155,607
Deposit for purchased properties	**16,279,285**	-
Advance payment for future investment in equity securities	**5,468,752**	-
Deferred input VAT	**4,624,926**	4,711,382
Others	**2,313,425**	378,436
	P 128,867,731	P 64,664,201

Refundable deposits pertain to recoverable payments to lessors and various payees by the Group which are expected to be realized at the end of the term of agreement. These are measured at amortized cost.

The total additions to computer software amounted to P33,955,601, P1,620,697 and P1,560,745 in 2019, 2018 and 2017, respectively. The amortization expense on the computer software amounted to P2,007,251, P1,193,010 and P1,087,022 in 2019, 2018 and 2017, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 19).

15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	Note	2019	2018
Current			
Bank loans	15.1	**P 2,627,759,378**	P 1,559,866,154
Non-current			
Bank loans	15.1	**7,295,952,571**	6,135,484,402
Corporate notes	15.2	**6,923,044,628**	2,945,929,755
		14,218,997,199	9,081,414,157
		P16,846,756,577	P10,641,280,311

15.1 Bank Loans

An analysis of the movements in the balance of interest-bearing loans is presented below.

	2019	2018
Balance at beginning of year	**P 7,695,350,556**	P 5,101,734,911
Proceeds and drawdowns – net	**6,487,770,230**	4,358,899,382
Repayments	**(4,265,207,842)**	(1,766,308,093)
Amortization of debt issue costs	**5,799,005**	1,024,356
Balance at end of year	**P 9,923,711,949**	P 7,695,350,556

The unamortized debt issue cost as at December 31, 2019 and 2018 amounts to P22,038,714 and P7,145,451, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2019 and 2018 is shown below.

	2019	2018
Balance at beginning of year	**P 7,145,451**	P 5,957,307
Debt issue costs from new loans	**20,692,268**	2,212,500
Amortization of debt issue cost	**(5,799,005)**	(1,024,356)
Balance at end of the year	**P 22,038,714**	P 7,145,451

The loans bear interest rates per annum ranging from 3.71% to 7.75% in 2019, 2.75% to 7.37% in 2018 and 2.75% to 7.25% in 2017. Certain loans are collateralized by the specific projects and developments and certain property and equipment for which the loans were obtained. The cost of such projects aggregating to P10,231,449,984 and P2,658,185,169 as at December 31, 2019 and 2018, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the consolidated statements of financial position (see Notes 7, 11 and 13).

In 2019, the Group availed of new bank loans amounting to P6,487,770,230, net of debt issuance cost, which bear interest ranging from 4.18% to 6.50% with maturity dates ranging from 2020 to 2034. Loans obtained in 2018 from various commercial banks amounting to P4,358,899,382, net of debt issuance cost, which bear interest ranging from 2.75% to 7.37% with maturity dates ranging from one month to ten years.

The total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P436,265,022, P290,309,916 and P158,963,533 in 2019, 2018 and 2017, respectively, and of which P436,265,022, P221,240,157 and P135,736,820 were capitalized as part of construction of its projects (see Note 7).

15.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) and short-dated note (SDN) amounting to P5,000,000,000 and P2,000,000,000, respectively.

	2019	2018
Balance at beginning of year	**P2,945,929,755**	P -
Proceeds and drawdowns - net	**3,965,935,843**	2,945,023,493
Amortization of debt issue cost	**11,179,030**	906,262
Balance at end of the year	**P6,923,044,628**	P2,945,929,755

The NFA is composed of the following tranches:

NFA	Date Executed	Tranche	Tenor	Principal Amount
SDN	10/25/2019		18 months from drawdown date	P2,000,000,000
LTCN	07/20/2018	Series A	Seven years	P2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	1,500,000,000
				P5,000,000,000

The Parent Company made the following drawdowns from the NFA.

Year	Tranche	Interest Rate	Maturity Dates	Amount
2019	Series A	7.25%	January 2026	P 2,000,000,000
	SDN	4.75%	April 2021	2,000,000,000
				P 4,000,000,000
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August – September 2028	1,000,000,000
	Series C	6.75%	October – December 2028	1,500,000,000
				P 3,000,000,000

In 2019 and 2018, the Parent Company recognized debt issuance costs for new NFA amounting to P34,064,157 and P54,976,507, respectively, which has a carrying amount of P76,955,372 and P54,070,245 as at December 31, 2019 and 2018, respectively, in relation to the drawdowns from the NFA. The debt issuance cost amortization in 2019 and 2018 amounted to P11,179,030 and P906,262, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P366,280,108 and P40,393,485 in 2019 and 2018, respectively, of which P366,280,108 and P20,996,188 was capitalized as part of real estate inventory in 2019 and 2018, respectively (see Note 7).

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As of December 31, 2019 and 2018, the Parent Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the consolidated statements of profit or loss, amounted to P33,629,596, P88,467,056 and P24,197,737 in 2019, 2018 and 2017, respectively (see Note 21). The accrued interest on these loans amounting to P77,568,113 and P25,776,837 as of December 31, 2019 and 2018, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	Note	**2019**	2018
Current:			
Trade payables		**P 2,255,668,095**	P 904,036,209
Unbilled construction costs		**1,739,034,574**	649,448,192
Sales commissions payable		**903,229,455**	110,713,721
Retention payable		**343,069,374**	204,864,157
Accrued expenses	15	**116,222,019**	86,989,158
Output VAT		**28,736,523**	141,907,130
Government-related obligations		**76,456,523**	33,403,437
Advances from NCI for future stock subscription in subsidiaries		**20,000,000**	60,489,250
Other payables		**219,493,465**	126,412,345
		5,701,910,028	2,318,263,599
Non-current:			
Retention payable		**67,508,171**	71,880,015
Advance rental		**10,006,362**	10,006,362
Other payables		**4,102,433**	2,818,519
		81,616,966	84,704,896
		P 5,783,526,994	P 2,402,968,495

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials.

Unbilled construction costs pertain to estimated obligations to contractors for services already performed but not yet billed to the Group.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the consolidated statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees and other recurring accruals in the Group's operations.

Current portion of the other payables are mostly construction bonds from various subcontractors.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

17.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time.

Below is the revenue of its major product lines and in geographical areas as of December 31, 2019:

	Cebu	**Mindanao**	**Bacolod**	**Dumaguete**	**Total**
Sale of real estate units					
Over time	P 3,275,592,365	P 1,659,000,384	P 1,042,202,950	P 639,929,763	P 6,616,725,462
At a point in time	1,545,641,590	228,159,443	-	-	1,773,801,033
	4,821,233,955	1,887,159,827	1,042,202,950	639,929,763	8,390,526,495
Render of management services					
Over time	34,635,393	2,202,097	-	-	36,837,490
Lease of properties					
Over time	63,159,194	-	-	-	63,159,194
Hotel operations					
Over time	8,524,756	-	-	-	8,524,756
	P 4,927,553,298	**P 1,889,361,924**	**P 1,042,202,950**	**P 639,929,763**	**P 8,499,047,935**

Below is the revenue of its major product lines and in geographical areas as of December 31, 2018:

	Cebu	Mindanao	Bacolod	Dumaguete	Total
Sale of real estate units					
Over time	P 4,117,685,634	P 1,588,688,880	P 584,933,339	P 197,151,812	P 6,488,459,665
At a point in time	204,078,095	-	-	-	204,078,095
	4,321,763,729	1,588,688,880	584,933,339	197,151,812	6,692,537,760
Render of management services					
Over time	12,920,716	-	-	-	12,920,716
Lease of properties					
Over time	57,480,871	-	-	-	57,480,871
	P 4,392,165,316	P 1,588,688,880	P 584,933,339	P 197,151,812	P 6,762,939,347

17.2 Contract Balance

The breakdown of contract balances is as follows:

	2019	2018
Contract assets - net	**P 8,892,510,028**	P 5,442,125,993
Contract liabilities	**(418,967,659)**	(457,927,612)
Contract assets – net	**P 8,473,542,369**	P 4,984,198,381

A reconciliation of the opening and closing balance of Contract Assets is shown below.

	Note	2019	2018
Balance at beginning of year		**P 5,442,125,993**	P 3,025,241,682
Performance of property development		**5,317,763,752**	6,656,193,490
Transfers to trade receivables		**(1,513,281,842)**	(4,016,078,184)
Collections		**(403,586,064)**	(190,888,461)
Reversal of impairment losses (impairment losses)	30.2*(b)*	**49,488,189**	(32,342,534)
Balance at end of year		**P 8,892,510,028**	P 5,442,125,993

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period.

The contract assets of the Group are presented in the consolidated statements of the financial position as follows:

	2019	2018
Current	**P 3,799,666,118**	P 4,283,208,009
Non-current	**5,092,843,910**	1,158,917,984
Total	**P 8,892,510,028**	P 5,442,125,993

A reconciliation of the opening and closing balance of Contract Liabilities is shown in below.

	2019	2018
Balance at beginning of year	**P 457,927,612**	P 353,752,781
Revenue recognized that was included in contract liability at the beginning of year	**(310,669,774)**	(147,275,173)
Increase due to cash received excluding amount recognized as revenue during the year	**271,709,821**	251,450,004
Balance at end of year	**P 418,967,659**	P 457,927,612

Contract liabilities pertains collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted as Customers' deposits.

A summary of the Group's contract liabilities and customers' deposits is presented below.

	2019	2018
Contract liabilities	**P 418,967,659**	P 457,927,612
Customers' deposits	**191,042,919**	42,774,376
	P 610,010,578	P 500,701,988

Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

18. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below (see Note 19).

	Note	2019	2018	2017
Cost of real estate sales:				
Actual costs		**P 4,264,594,712**	P 3,110,027,278	P 1,691,695,772
Estimated costs		**-**	-	181,234,317
		4,264,594,712	3,110,027,278	1,872,930,089
Cost of rental services:				
Depreciation		**19,475,668**	18,097,781	17,394,529
Real property taxes		**179,375**	717,228	1,064,559
	13	**19,655,043**	18,815,009	18,459,088
Cost of management services:				
Salaries and wages		**11,005,552**	7,217,628	1,992,386
Materials and supplies		**25,532**	-	-
		11,031,084	7,217,628	1,992,386
Cost of hotel operations:				
Salaries and wages		**3,302,116**	-	-
Materials and supplies		**1,094,126**	-	-
Advertising and promotion		**389,946**	-	-
Utilities		**354,126**	-	-
Utilities		**263,824**	-	-
		5,404,138	-	-
		P4,300,684,977	P 3,136,059,915	P 1,893,381,563

Cost of real estate sales are further broken down as follows:

	Note	2019	2018	2017
Contracted services	19	**P3,428,692,309**	P2,430,807,113	P1,210,592,618
Land	19	**661,053,922**	579,191,014	632,044,133
Borrowing costs	19	**135,900,814**	88,478,442	28,450,856
Other costs		**38,947,667**	11,550,709	1,842,482
		P4,264,594,712	P3,110,027,278	P1,872,930,089

19. OPERATING EXPENSES BY NATURE

Details of operating expenses by nature are shown below.

	Notes	2019	2018	2017
Contracted services	18	**P 3,428,692,309**	P 2,430,807,113	P 1,210,592,618
Land	18	**661,053,922**	579,191,014	632,044,133
Salaries and employee benefits	23.1	**310,036,149**	220,794,631	156,240,895
Commissions	9	**301,751,479**	264,860,997	146,236,559
Taxes and licenses		**142,468,633**	141,431,621	48,181,654
Interest	7, 18	**135,900,814**	88,478,442	28,450,856
Repairs and maintenance		**75,141,734**	12,027,943	4,868,649
Advertising		**66,026,270**	53,594,172	48,703,407
Depreciation and amortization	11, 12, 13, 14	**60,763,991**	52,474,358	50,790,457
Professional and legal fees		**37,301,481**	28,883,240	20,051,987
Rent	12.3, 28.2	**33,941,185**	15,275,105	11,999,959
Transportation and travel		**26,073,764**	26,839,560	19,004,064
Utilities		**20,107,148**	21,803,010	8,440,916
Security services		**14,783,785**	9,727,211	3,747,659
Subscription and membership dues		**12,868,161**	5,619,552	6,518,120
Representation and entertainment		**11,703,055**	12,367,064	6,664,977
Supplies		**10,106,696**	6,387,294	5,529,533
Insurance		**9,198,360**	12,034,422	7,712,931
Communications		**5,574,538**	6,154,359	4,121,488
Hotel operations		**5,404,138**	-	-
Donations		**2,611,027**	8,170,000	22,850,641
Trainings and seminars		**1,405,783**	1,488,291	693,792
Others		**72,971,563**	31,542,070	16,410,069
		P 5,445,885,985	P 4,029,951,469	P 2,459,855,364

Interest pertains to those that were capitalized as part of real estate inventory but expensed when the related asset was sold.

The expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2019	2018	2017
Cost of sales and services	18	**P4,300,684,977**	P 3,136,059,915	P 1,893,381,563
Operating expenses		**1,145,201,008**	893,891,554	566,473,801
		P5,445,885,985	P 4,029,951,469	P 2,459,855,364

20. OTHER OPERATING INCOME

This account is composed of the following:

	2019	2018	2017
Refund from lot acquisitions	**P 17,135,227**	P -	P -
Administrative charges	**7,655,208**	5,139,183	5,693,135
Reversal of payables	**7,475,576**	3,520,559	14,650,062
Late payment penalties charged to customers	**4,804,671**	721,961	1,562,596
Utilities charged to tenants	**4,654,457**	-	-
Water income	**4,519,195**	-	925,514
Documentation fee	**3,718,750**	287,857	1,356,339
Foreign exchange gains	**1,023,843**	38,457	-
Reservation fees foregone	**182,922**	22,090,887	3,281,608
Referral incentive	**34,644**	202,845	112,056
Others	**1,928,890**	1,498,641	869,023
	P 53,133,383	P 33,500,390	P 28,450,333

Refund from lot acquisitions pertain to the refund from seller of property for overpayments made.

Reversal of payables pertains to recoveries from cancelled contracts with certain building contractors.

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

21. FINANCE COSTS

This is composed of the following:

	Notes	2019	2018	2017
Interest expense on:				
Loans	15.1, 15.2	**P 33,629,596**	P 88,467,056	P 24,197,737
Lease liabilities	12.4	**10,847,248**	-	-
Post-employment defined benefit obligation	23.2	**449,368**	310,716	97,922
Day one loss, net of amortization of non-current contracts receivables	6	**-**	42,964,142	11,589,073
Bank charges		**-**	830,408	522,030
		P 44,926,212	P 132,572,322	P 36,406,762

Interest expense on loans is the portion not capitalized as part of real estate inventory (see Notes 7 and 15).

22. FINANCE INCOME

This is composed of the following:

	Notes	2019	2018	2017
Amortization of day one loss on non-current contract receivables - net	6	**P 26,971,237**	P -	P -
Interest income on banks	5	**24,599,602**	18,861,865	5,262,332
Others		**349,906**	-	-
		P 51,920,745	P 18,861,865	P 5,262,332

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 19) are presented below.

	Note	2019	2018	2017
Short-term employee benefits		**P 303,543,435**	P 217,063,952	P 153,912,148
Post-employment defined benefit	23.2	**6,492,714**	3,730,679	2,328,747
		P 310,036,149	P 220,794,631	P 156,240,895

23.2 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Group's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2019 and 2018.

The amounts of post-employment defined benefit obligation (asset) recognized in the consolidated statements of financial position are determined as follows:

	2019	2018
Present value of the obligation	**P 30,455,692**	P 30,075,774
Fair value of plan assets	**(36,379,276)**	(24,108,080)
	(P 5,923,584)	P 5,967,694

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	2019	2018
Balance at beginning of year	**P 30,075,774**	P 23,664,131
Current service cost	**6,492,714**	3,730,679
Interest cost	**2,264,706**	1,348,855
Benefits paid	**(83,772)**	(175,317)
Remeasurements - actuarial losses (gains) arising from:		
Experience adjustments	**(26,927,039)**	8,791,265
Changes in financial assumptions	**16,523,250**	(7,283,839)
Changes in demographic assumptions	**2,110,059**	-
Balance at end of year	**P 30,455,692**	P 30,075,774

The movements in the fair value of plan assets are presented below.

	2019	2018
Balance at beginning of year	**P 24,108,080**	P 12,300,617
Contributions to the plan	**10,491,622**	12,000,000
Interest income	**1,815,338**	1,038,139
Benefits paid	**(83,772)**	(175,317)
Return on plan assets (excluding amounts included in net interest)	**48,008**	(1,055,359)
Balance at end of year	**P 36,379,276**	P 24,108,080

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2019	2018
Cash and cash equivalents	**P 4,019,910**	P 14,811,528
Financial assets at FVOCI		
Unitized investment funds	**20,707,084**	1,882,456
Government securities	**11,652,282**	7,414,096
	P 36,379,276	P 24,108,080

The fair values of the above unitized investment funds are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized a return of P48,008 in 2019, loss of P1,055,359in 2018 and a return of P228,260 in 2017.

The components of amounts recognized in profit or loss and other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2019	2018	2017
Recognized in profit or loss			
Current service cost	**P 6,492,714**	P 3,730,679	P 2,382,747
Net interest expense on defined benefit obligation	**449,368**	310,716	97,922
	P 6,942,082	P 4,041,395	P 2,480,669
Recognized in other comprehensive income			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	**(P 26,927,039)**	P 8,791,265	P 3,924,070
Demographic assumptions	**16,523,250**	-	(836,418)
Financial assumptions	**2,110,059**	(7,283,839)	3,356,230
Loss (return) on plan assets (excluding amounts included in net interest expense)	**(48,008)**	1,055,359	333,105
	(P 8,341,738)	P 2,562,785	P 6,776,987

The net interest expense is included in Finance Costs in profit or loss (see Note 21).

Amounts recognized in other comprehensive income (loss) were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2019	2018	2017
Discount rates	**5.14%**	7.53%	5.70%
Salary increase rates	**7.00%**	8.00%	10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25.80 both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are as follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	Impact on Post-employment Defined Benefit Obligation		
	Changes in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2019			
Discount rate	**+/-1.0%**	**(P 6,221,517)**	**P 4,857,534**
Salary increase rate	**+/-1.0%**	**6,035,484**	**(4,818,369)**
December 31, 2018			
Discount rate	+/-1.0%	(P 1,493,670)	P 1,267,185
Salary increase rate	+/-1.0%	1,471,797	(1,272,967)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P26,485,966 and P22,395,143 for the years ended December 31, 2019 and 2018, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-Liability Matching Strategies

To efficiently manage the retirement plan, the Group, through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The Group does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows (2018 is only for 10-year projection):

	2019	2018
Within one year	**P 2,544,053**	P 19,555,620
More than one year to five years	**3,667,551**	10,469,672
More than five years to ten years	**8,516,813**	13,453,761
More than ten years to 15 years	**8,838,609**	-
More than 15 years to 20 years	**22,797,570**	-
More than 20 years	**251,295,697**	-
	P 297,660,293	P 43,479,053

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

24. CURRENT AND DEFERRED TAXES

The Group was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Group has 15 and 14 registered projects with BOI as of December 31, 2019 and 2018, respectively.

The components of tax expense relating to profit or loss and other comprehensive loss (income) are as shown below.

	2019	2018	2017
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 153,290,028**	P 92,981,634	P 77,018,326
Final income tax	**4,918,642**	3,033,301	546,168
	158,208,670	96,014,935	77,564,494
Deferred tax expense relating to origination and reversal of temporary differences	**585,347,545**	342,594,139	125,196,035
	P 743,556,215	P 438,609,074	P 202,760,529
Reported in other comprehensive income:			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 2,502,521**	(P 768,836)	(P 1,583,096)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is presented below.

	2019	2018	2017
Tax on pretax profit at 30%	**P 954,448,117**	P 782,260,316	P 439,249,896
Adjustments for income subject to lower tax rate	**1,215,137**	(2,473,694)	(1,032,526)
Tax effects of:			
Timing difference from tax exempt real estate sales	**(713,862,517)**	(319,785,609)	(209,663,372)
Non-deductible expenses	**620,344,359**	25,754,052	9,714,151
Tax-exempt sales	**(120,095,181)**	(67,889,306)	(36,558,067)
Changes in unrecognized deferred tax assets	**1,506,300**	20,743,315	1,050,447
Tax expense	**P 743,556,215**	P 438,609,074	P 202,760,529

The net deferred tax liabilities relate to the following as of December 31:

	2019	2018
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	**P1,158,688,649**	P 594,799,819
Rental income	**3,063,592**	2,906,896
Post-employment defined benefit asset	**1,777,075**	-
Others	**386,105**	-
	1,163,915,421	597,706,715

Forward

	2019	2018
Deferred tax assets:		
Sales commissions	**(P 38,454,339)**	(P 35,972,429)
Unearned revenue	**(574,360)**	-
Allowance for impairment	**-**	(13,694,142)
Net operating loss carry-over (NOLCO)	**-**	(9,213,180)
Post-employment defined benefit obligation	**-**	(1,790,308)
	(39,028,699)	(60,670,059)
	P1,124,886,722	P 537,036,656

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Profit or Loss			Consolidated Statements of Comprehensive Income		
	2019	2018	2017	**2019**	2018	2017
Deferred tax liabilities						
Difference between tax reporting base and financial reporting base used in sales recognition	**P 563,888,830**	P 340,811,420	P 138,230,388	**P -**	P -	P -
Post-employment defined benefit asset	**1,777,075**	-	-	**-**	-	-
Rental income	**156,696**	2,906,896	-	**-**	-	-
Others	**386,105**	-	-	**-**	-	-
Changes in fair value of investment securities at fair value through other comprehensive income	**-**	-	-	**-**	-	450,000
Deferred tax assets						
Allowance for impairment	**13,694,142**	(9,791,087)	-	**-**	-	-
NOLCO	**9,213,180**	2,665,506	(11,878,686)	**-**	-	-
Sales commissions	**(2,481,910)**	3,613,823	-	**-**	-	-
Post-employment defined benefit obligation	**(712,213)**	2,387,581	(744,202)	**2,502,521**	(768,836)	(2,033,096)
Unearned revenue	**(574,360)**	-	-	**-**	-	-
Deferred tax expense (income)	**P 585,347,545**	P 342,594,139	P 125,607,500	**P 2,502,521**	(P 768,836)	P 1,583,096

The Group has unrecognized deferred tax assets of P52,715,489 and P86,328,765 as at December 31, 2019 and 2018, respectively, from NOLCO as follows.

Entity	Years Incurred			Outstanding Balance	
	2019	2018	2017	**2019**	2018
YHEST	**P 37,242,549**	P 72,373,674	P -	**P109,616,208**	P 72,373,674
YHES	**1,695,544**	11,542,401	2,971,260	**16,209,206**	14,513,661
CCLI	**5,993,424**	2,211,356	-	**8,144,780**	2,211,356
CHDI	**6,652,079**	-	-	**6,652,079**	
ASF	**74,825**	120,222	2,315,746	**2,510,793**	2,435,968
YES	**-**	-	14,732,147	**1,465,202**	5,102,112
CPH	**468,570**	81,112	37,264	**586,946**	133,787
CLIPM	**508,308**	-	-	**508,308**	
YHESPH	**80,190**	-	-	**80,190**	-
El Camino	**-**	-	29,904,392	**-**	-
MGR	**-**	-	1,114,459	**-**	-
	P 52,715,489	P 86,328,765	P 51,075,268	**P145,773,712**	P 96,770,558

As of December 31, 2019 and 2018, only the Parent Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. Other components of the Group are not yet subject to MCIT as it has not operated beyond four taxable years. No MCIT was reported in 2019, 2018 and 2017 as the RCIT was higher than MCIT.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction.

The Group opted to claim itemized deductions in computing its income tax due for the years ended December 31, 2019, 2018 and 2017.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, shareholders, the Group's key management personnel, its retirement fund and others as described in Note 2.20.

A summary of the Group's transactions and outstanding balances with related parties is presented below.

	Notes	Amount of Transaction			Outstanding Balance	
		2019	2018	2017	**2019**	2018
Ultimate Parent Company						
Sale of real estate	25.3	**P 26,047,495**	P 15,886,745	P 158,359,074	**P 158,920,838**	P 149,300,130
Other Stockholders						
Sale and transfer of property	25.2	**-**	55,633,275	-	**-**	-
Entities under Common Ownership						
Net advances (collections)	25.1	**(11,206,772)**	3,324,163	(6,411,964)	**9,947,417**	21,154,189
Associates						
Net advances (collections)	25.1	**-**	(11,925)	218	**-**	-
Key Management Personnel						
Sale of real estate	25.4	**-**	8,501,882	80,834,073	**7,180,680**	65,028,576
Compensation	25.5	**87,656,262**	81,760,354	85,886,192	**-**	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2019 and 2018. The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash or offsetting of accounts within one year from end of the reporting period.

Details of the transactions follow.

25.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2019 and 2018 is presented below.

	Entities Under Common Ownership	Associates	Total
Balance at January 1, 2019	P 21,154,189	P -	P 21,154,189
Collections	(11,206,772)	-	(11,206,772)
Balance at December 31, 2019	**P 9,947,417**	**P -**	**P 9,947,417**

	Entities Under Common Ownership	Associates	Total
Balance at January 1, 2018	P 17,830,026	P 11,925	P 17,841,951
Additional advances	3,324,163	-	3,324,163
Collections	-	(11,925)	(11,925)
Balance at December 31, 2018	P 21,154,189	P -	P 21,154,189

25.2 Sale and Transfer of Property

In 2018, the Parent Company transferred all its financial assets at FVOCI to one of its shareholder at market price as of January 1, 2018 of P55,633,275, which was paid by the shareholder in cash. There is no similar transaction in 2019.

25.3 Sale of Real Estate to Ultimate Parent Company

In 2019, 2018 and 2017, CLI sold condominium units to ABS totaling P26,047,495, P15,886,745 and P158,359,074, respectively. The outstanding balance related to this transaction amounted to P158,920,838 and P149,300,130 as at December 31, 2019 and 2018, respectively, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

25.4 Sale of Real Estate to Key Management Personnel

In 2019, 2018 and 2017, CLI sold condominium units totaling nil, P8,501,882 and P80,834,073, respectively, to key management personnel. Outstanding balance related to these transactions amounts to P7,180,680 and P65,028,576 as at December 31, 2019 and 2018, respectively. These are presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

25.5 Key Management Personnel Compensation

The composition of key management personnel compensation for the years ended December 31, 2019, 2018 and 2017 is shown below.

	2019	2018	2017
Short-term benefits	**P 83,006,173**	P 76,696,262	P 83,813,957
Post-employment benefits	**4,650,089**	5,064,092	2,072,235
	P 87,656,262	P 81,760,354	P 85,886,192

25.6 Retirement Fund

CLI's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2019 and 2018 consists of the contributions to the plan and interest earned (see Note 23.2). The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

26. EQUITY

26.1 Capital Stock

Details of the authorized capital stock as of December 31, 2019 and 2018 are as follows:

Shares	Par Value	Shares	Amount
Common stock	P 1.00	2,400,000,000	P 2,400,000,000
Preferred stock	0.10	1,000,000,000	100,000,000

An analysis of the issued and outstanding common stock, net of P4.6 million and P46.5 million treasury shares as of December 31, 2019 and 2018, respectively is shown below.

	Shares		Amounts	
	2019	2018	**2019**	2018
Balance at beginning of year	**1,667,500,000**	1,714,000,000	**P 1,501,540,582**	P 1,714,000,000
Reacquired during the year	**(8,320,000)**	(46,500,000)	**(34,734,357)**	(212,459,418)
Balance at end of year	**1,659,180,000**	1,667,500,000	**P1,466,806,225**	P 1,501,540,582

There is no issued preferred stock as of December 31, 2019 and 2018.

As disclosed in Note 1.1, the Parent Company had a successful IPO of 430 million unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000 on June 2, 2017. Accordingly, the Parent Company recognized additional paid-in capital of P1,608,917,974 in the consolidated statements of financial position after deducting the related share issuance costs of P111,082,026.

The share price of the Parent Company's common stock closed at P4.83 and P4.14 per share on December 27, 2019 and December 28, 2018, respectively, the last trading day in the PSE for 2019 and 2018.

The Group has no other listed securities as at December 31, 2019 and 2018.

On February 27, 2018, the BOD of the Parent Company approved a P250 million budget for a share buy-back program and employee stock option plan. As of December 31, 2019, the employee stock option plan has not yet implemented. In relation to this program, the Parent Company reacquired 8,320,000 shares and 46,500,000 shares of common stock in 2019 and 2018, respectively for P34,734,393 and P212,459,418, respectively and presented them as Treasury Stock in the consolidated statement of financial position.

The common stock of the Parent Company that is held under nominee accounts totaled 697,799,750 shares and 706,371,750 shares as of December 31, 2019 and 2018, respectively. This represents 41% and 38% of the Parent Company's outstanding shares as of December 31, 2019 and 2018, respectively.

26.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown in the next page.

	Notes	Post-employment Defined Benefit Obligation	Financial Asset at FVOCI	Total
Balance as of January 1, 2019		(P 12,428,442)	P -	(P 12,428,442)
Other comprehensive income:				
Gain on remeasurement of post-employment defined benefit obligation	23.2	8,341,738	-	8,341,738
Tax expense	24	(2,502,521)	-	(2,502,521)
		5,839,217	-	5,839,217
Balance as of December 31, 2019		**(P 6,589,225)**	**P -**	**(P 6,589,225)**
Balance as of January 1, 2018		(P 10,634,493)	P 6,315,400	(P 4,319,093)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2	(2,562,785)	-	(2,562,785)
Sale of financial asset at FVOCI		-	(6,315,400)	(6,315,400)
		(2,562,785)	(6,315,400)	(8,878,185)
Tax income		768,836	-	768,836
		(1,793,949)	(6,315,400)	(8,109,349)
Balance as of December 31, 2018		(P 12,428,442)	P -	(P 12,428,442)
Balance as of January 1, 2017		(P 5,890,602)	P 5,265,400	(P 625,202)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2	(6,776,987)	-	(6,776,987)
AFS financial assets		-	1,500,000	1,500,000
		(6,776,987)	1,500,000	(5,276,987)
Tax income (expense)		2,033,096	(450,000)	1,583,096
		(4,743,891)	1,050,000	(3,693,891)
Balance as of December 31, 2017		(P 10,634,493)	P 6,315,400	(P 4,319,093)

26.3 Retained Earnings

On February 26, 2019, the Parent Company's BOD declared cash dividend of P0.20 per share or a total amount of P332,590,000 to stockholders on record as of March 26, 2019 and was paid on April 24, 2019.

On February 27, 2018, the BOD declared cash dividend of P0.15 per share or a total amount of P256,875,000 to stockholders on record as of March 23, 2018. Such dividend was paid on April 23, 2018.

On October 24, 2019, the Board of Directors approved the appropriation of P3,050,000,000 from the Parent Company's retained earnings for purposes of funding certain projects. The appropriated amount is specifically intended and allocated for the capital expenditures, financing costs, and other related development costs that the Parent Company expects to incur in the next five years for those certain projects. Details of the appropriation are as follows:

- P400,000,000 for the on-going development of Mivela Garden Residences, a modern garden residential community and condominium project located in Banilad, Cebu City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023;

- P600,000,000 for the development of Cebu Business Park Office / Hotel Tower, an office and hotel building located at the Cebu Business Park, Cebu City. Project development was commenced last November 2019 and is expected to be completed by first quarter of 2024;

- P500,000,000 for the on-going development of the Casa Mira and Velmiro Homes projects, which are subdivision projects (house and lots) located in Magtuod, Davao City. Project developments commenced on December 2019 and are expected to be completed by first quarter of 2023.

- P400,000,000 for the redevelopment of the Abaca Resort Mactan, a resort in Punta Engaño, Mactan Island, Cebu. Redevelopment was commenced on November 2019 and is expected to be completed by second quarter of 2024.

- P600,000,000 for the redevelopment of the Mactan Lowaii Project, a resort in Mactan Island, Cebu. Development was commenced on November 2019 and is expected to be completed by second quarter of 2023.

- P300,000,000 for the on-going development of Casa Mira Mandaue, a condominium project with four towers located in Alang-alang, Mandaue City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023.

- P250,000,000 for the on-going development of the Velmiro Heights Taekwoord, a subdivision project located in Cagayan de Oro. Project development was commenced on December 2019 and is expected to be completed by fourth quarter of 2022.

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

26.4 Non-controlling Interests

The subsidiaries of the Group with significant NCI as at December 31, 2019 and 2018 are as follows.

Subsidiaries	NCI Ownership % 2019	NCI Ownership % 2018	NCI Equity in Subsidiaries 2019	NCI Equity in Subsidiaries 2018
YHEST	**50%**	50%	**P 3,719,661,270**	P 3,738,377,806
El Camino	**65%**	65%	**773,607,627**	472,340,626
YHES	**50%**	50%	**471,210,883**	441,226,269
YES	**50%**	50%	**318,011,562**	228,148,289
MGR	**55%**	55%	**310,217,791**	192,956,265
CDHI	**50%**	-	**226,673,963**	-
BL Ventures	**50%**	50%	**150,788,415**	134,247,260
CCPH	**50%**	50%	**85,858,394**	73,260,496
			P 6,056,029,905	P 5,280,557,011

In 2019, CHDI was incorporated with paid-in capital from non-controlling shareholders amounting to P230,000,003. In the same year, YHESPH was incorporated as a wholly-owned subsidiary of YHES. Share of non-controlling shareholders of YHES in the paid-in capital of YHESPH amounted to P1,250,000. Moreover, non-controlling shareholders of El Camino, CCPH and YES contributed cash of P87,749,999, P15,574,999 and P6,250,000 into these entities, respectively. Deposits for future stock subscription from non-controlling shareholders of MGR amounting to P30,250,000 were also reclassified to equity.

In 2018, YHEST and CCLI were incorporated and the non-controlling shareholders contributed land with a fair value of P3,774,738,000 and cash of P74,350,000, respectively, in exchange for shares of stock of these entities. The non-controlling shareholder also transferred land worth P448,474,000 to YHES in exchange for shares of stock worth P336,355,500 and settlement of its P112,118,500 liability.

In 2017, YHES, and MGR were incorporated with paid-in capital from non-controlling shareholders on these entities amounting P1,375,000 and P112,118,500, respectively. Moreover, P70,683,840 and P388,259,487 were invested by non-controlling shareholders of YES and El Camino, respectively.

In 2016, BL Ventures, YES and El Camino were incorporated with paid-in capital from non-controlling shareholders on these entities amounting to P12,500,000, P6,250,003, and P16,250,000, respectively.

In 2019, YES declared cash dividends totalling P40,000,000 of which P20,000,000 is the share of non-controlling shareholders. There was no similar transaction in 2018. There were no dividends paid to non-controlling shareholders in 2019, 2018 and 2017 as the related subsidiaries have not declared dividends yet.

Significant information on the financial position and financial performance of YHEST as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P 42,486,068**	P 7,763,057
Non-current assets	**5,300,467,319**	4,792,094,603
Total assets	**P5,342,953,387**	P4,799,857,660
Current liabilities	**P 19,894,182**	P 5,528,217
Non-current liabilities	**-**	-
Total liabilities	**P 19,894,182**	P 5,528,217
Revenues	**P -**	P -
Net loss	**(P 37,433,073)**	(P 72,720,388)
Other comprehensive income	**-**	-
Total comprehensive loss	**(P 37,433,073)**	(P 72,720,388)

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**(P 18,716,537)**	(P 36,360,194)
Non-controlling interests	**(18,716,536)**	(36,360,194)
Net loss	**(P 37,433,073)**	(P 72,720,388)

Significant information on the financial position and financial performance of El Camino as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P2,947,087,029**	P2,477,352,231
Non-current Assets	**1,246,556,090**	319,167,568
Total assets	**P 4,193,643,119**	P2,796,519,799
Current liabilities	**P 766,532,996**	P 316,762,598
Non-current liabilities	**2,236,404,543**	1,752,539,313
Total liabilities	**P3,002,937,539**	P2,069,301,911
Revenues	**P1,454,219,295**	P 653,176,410
Net profit	**P 328,487,695**	P 136,717,289
Other comprehensive income	**-**	-
Total comprehensive income	**P 328,487,695**	P 136,717,289

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**P 114,970,693**	P 47,851,051
Non-controlling interests	**213,517,002**	88,866,238
Net profit	**P 328,487,695**	P 136,717,289

Significant information on the financial position and financial performance of YHES as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P 734,967,923**	P 149,216,099
Non-current Assets	**266,909,463**	512,887,936
Total assets	**P1,001,877,386**	P 662,104,035
Current liabilities	**P 252,707,237**	P 3,888,497
Non-current liabilities	**30,985,381**	-
Total liabilities	**P 283,692,618**	P 3,888,497
Revenues	**P 200,059,620**	P -
Net profit (loss)	**P 59,969,229**	(P 11,524,202)
Other comprehensive income	**-**	-
Total comprehensive income (loss)	**P 59,969,229**	(P 11,524,202)

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**P 29,984,615**	(P 5,762,101)
Non-controlling interests	**29,984,614**	(5,762,101)
Net profit (loss)	**P 59,969,229**	(P 11,524,202)

Significant information on the financial position and financial performance of YES as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P1,387,657,167**	P 956,524,707
Non-current Assets	**147,691,392**	5,411,425
Total assets	**P1,535,348,559**	P 961,936,132
Current liabilities	**P 314,987,300**	P 202,370,291
Non-current liabilities	**584,257,940**	303,269,258
Total liabilities	**P 899,245,240**	P 505,639,549
Revenues	**P 499,698,122**	P 827,947,591
Net profit	**P 207,306,736**	P 318,663,184
Other comprehensive income	**-**	-
Total comprehensive income	**P 207,306,736**	P 318,663,184

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**P 103,653,368**	P 159,331,592
Non-controlling interests	**103,653,368**	159,331,592
Net profit	**P 207,306,736**	P 318,663,184

Significant information on the financial position and financial performance of MGR as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P1,262,460,627**	P 888,702,247
Non-current Assets	**-**	-
Total assets	**P1,262,460,627**	P 888,702,247
Current liabilities	**P 280,589,748**	P 334,608,661
Non-current liabilities	**414,463,533**	203,264,013
Total liabilities	**P 695,053,281**	P 537,872,674

	2019	2018
Revenues	**P 475,975,791**	P 812,312,112
Net profit	**P 158,202,773**	P 349,459,412
Other comprehensive income	**-**	-
Total comprehensive income	**P 158,202,773**	P 349,459,412

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**P 71,191,248**	P 157,256,735
Non-controlling interests	**87,011,525**	192,202,677
Net profit	**P 158,202,773**	P 349,459,412

Significant information on the financial position and financial performance of BL Ventures as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P 718,672,694**	P 683,095,468
Non-current Assets	**657,309,937**	246,957,913
Total assets	**P1,375,982,631**	P 930,053,381
Current liabilities	**P 319,724,150**	P 196,507,563
Non-current liabilities	**754,708,394**	465,078,039
Total liabilities	**P1,074,432,544**	P 661,585,602
Revenues	**P 159,598,289**	P 519,407,146
Net profit	**P 33,082,308**	P 208,733,326
Other comprehensive income	**-**	-
Total comprehensive income	**P 33,082,308**	P 208,733,326

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**P 16,541,154**	P 104,366,663
Non-controlling interests	**16,541,154**	104,366,663
Net profit	**P 33,082,308**	P 208,733,326

Significant information on the financial position and financial performance of CCPH as at and for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets	**P 63,630,125**	P 30,857,692
Non-current Assets	**187,818,054**	144,966,844
Total assets	**P 251,448,179**	P 175,824,536

	2019	2018
Current liabilities	**P 79,731,390**	P 29,303,543
Non-current liabilities	**-**	-
Total liabilities	**P 79,731,390**	P 29,303,543
Revenues	**P -**	P -
Net loss	**(P 5,954,202)**	(P 2,179,008)
Other comprehensive income	**-**	-
Total comprehensive loss	**(P 5,954,202)**	(P 2,179,008)

The profit or loss is allocated between the Parent Company and NCI as follows.

	2019	2018
Parent Company's shareholders	**(P 2,977,101)**	(P 1,089,504)
Non-controlling interests	**(2,977,101)**	(1,089,504)
Net loss	**(P 5,954,202)**	(P 2,179,008)

Significant information on the financial position and financial performance of CHDI as at and for the year ended December 31, 2019 are as follows:

Current assets	P 922,628,670
Non-current Assets	98,464,752
Total assets	P1,021,093,422
Current liabilities	P 567,745,501
Non-current liabilities	-
Total liabilities	P 567,745,501
Revenues	P -
Net loss	(P 6,652,080)
Other comprehensive income	-
Total comprehensive loss	(P 6,652,080)

The 2019 profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 3,326,040)
Non-controlling interests	(3,326,040)
Net loss	(P 6,652,080)

27. EARNINGS PER SHARE

EPS is computed as follows:

	2019	2018	2017
Income available to common stockholders	**P 2,012,289,616**	P 1,667,369,943	P 1,286,936,399
Divided by weighted average number of outstanding common stock	**1,662,917,500**	1,693,132,500	1,499,000,000
Basic and diluted EPS	**P 1.21**	P 0.98	P 0.86

There were no instruments that could potentially dilute basic earnings per share for years ended December 31, 2019, 2018 and 2017; hence, basic EPS is the same as diluted EPS.

28. COMMITMENTS AND CONTINGENCIES

28.1 Operating Lease Commitments - Group as Lessor

The Group is a lessor under several operating leases covering certain condominium and parking units and retail building space (see Note 13). To manage its risks over these operating leases, the Group retains its legal title over the underlying assets and requiring its lessee to pay security deposits at the start of the lease. The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	2019	2018	2017
Within one year	**P 59,467,774**	P 53,665,650	P 47,466,242
After one year but not more than five years	**91,924,899**	108,046,002	98,926,829
More than five years	**132,301,010**	147,761,404	4,956,444
	P 283,693,683	P 309,473,056	P 151,349,515

Rental income amounted to P63,159,194, P57,480,871 and P45,647,337 in 2019, 2018 and 2017, respectively (see Note 13). None of the rental income in 2019, 2018 and 2017 are relating to variable lease payments.

28.2 Operating Lease Commitments - Group as Lessee

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P33,941,185, P15,275,105 and P11,999,959 in 2019, 2018 and 2017, respectively, and is shown as rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 19).

As at December 31, 2019 and 2018, there are no expected future rentals because of the terms of the leases.

28.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. The Group recognized a contract liability, which amounts to P418,967,659 and P457,927,612 as at December 31, 2019 and 2018, respectively, when it collects more than it is entitled to base on the stage of completion of the project development.

28.4 Purchase of Land

As at December 31, 2019 and 2018, the Group had agreed in principle with multiple sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land and for which the Group has made advance payments totalling P3,435,620,227 and P1,754,763,446, respectively. The advance payments shall be applied against the full amount of the contract price upon consummation of the contracts.

28.5 Lease of Land

On October 18, 2019, the Parent Company had committed to a lease of land which had not commenced. The lease has a term of 43 years beginning January 1, 2020 and has a total future cash outflow of P2,701,821,149.

28.6 Capital Commitments

As at December 31, 2019, the Group has capital commitments of about P10,431,516,500 for the construction of condominium and subdivision projects.

28.7 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As at December 31, 2019 and 2018, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

29. EVENTS AFTER THE REPORTING PERIOD

29.1 Declaration of Cash Dividend

On February 19, 2020, the BOD declared cash dividend of P0.25 per share totaling P415,737,500 to stockholders on record as of April 3, 2020. Such dividend will be paid on April 30, 2020.

29.2 Issuance of Corporate Notes

The Parent Company has issued on March 5, 2020, a NFA to issue Corporate Notes worth P8.0 billion, among 3 series with tenors of 5 years, 7 years and 10 years. The final allocation and pricing consist of the following:

- Series D 5-year corporate notes amounting to P1.3 Billion at a fixed spread of 90 bps;
- Series E 7-year corporate notes amounting to P5.7 Billion at a fixed spread of 95 bps; and,
- Series F 10-year corporate notes amounting to P1.0 Billion at a fixed spread of 100 bps.

The proceeds of the notes will be used for strategic land acquisitions in Cebu, Bohol, Bacolod, CDO, and Davao, including new expansion areas such as Puerto Princesa, Leyte, Butuan, and General Santos City. Part of the proceeds will also fund the development of the 22-hectare central business hub in Matina, Davao.

29.3 Impact of COVID-19

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

Management has determined that these events after the reporting period are non-adjusting subsequent events. Accordingly, such events had no impact on the Group's consolidated financial statements as of and for the year ended December 31, 2019.

While the disruption is currently expected to be temporary, management anticipate that the suspension of businesses over a prolonged period of time could negatively impact the Group's financial condition and operations. However, the severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, impact on Group's customers, suppliers, employees, and the accessibility and effectiveness of government support programs to a group of customers, all of which are uncertain and cannot be predicted as of the date of the issuance of the Group's consolidated financial statements. Accordingly, management is unable to reliably estimate yet as at the issuance date of the consolidated financial statements the impact of the outbreak on the Group's financial position and operations in succeeding periods.

In support and compliance with the government measures to protect the welfare and interest of the Group's employees and stakeholders, including its counterparties, the Group has implemented very strict health and sanitation policies on all construction sites as mandated by the government, worked closely with its various general contractors and subcontractors to maintain sustained progress on its ongoing projects and activated its business continuity procedures. Management believes that these measures can help mitigate any future negative impact of the outbreak on the Group's financial condition and operations.

30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 31. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

It does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

30.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

It has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

30.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from debt instruments, primarily from the selling of goods and services to customers, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Its policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2019**	2018
Cash and cash equivalents	5	**P 917,170,651**	P 949,161,931
Receivables[1]	6	**5,825,594,990**	4,000,357,722
Contract assets	17.2	**8,892,510,028**	5,442,125,993
Due from related parties	25.1	**9,947,417**	21,154,189
Refundable deposits	14	**66,028,148**	57,418,776
		P 15,711,251,234	P 10,470,218,611

[1] *Receivables - net excludes advances to officers and employees.*

Refundable deposits are presented as part of other non-current assets.

Certain financial assets of the Group are secured by collateral or other credit enhancements as discussed below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Receivables and Contract Assets

Its maximum exposure to credit risk as of December 31, 2019 and 2018 is equal to the carrying value of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The Group uses cumulative credit loss rate approach to calculate ECL for receivables and contract assets. This approach is based on historical analysis of the Group's receivables and contract assets portfolio, which calculates the receivables' loss experience over a reasonable observation period and apply such information to project what the portfolio will look like going forward. The model is done by dividing each period's net charge-offs arising from contract cancellations and back-out sales by the original principal balance at the origination period of the receivables. The loss experience of these original balances is tracked annually and summed over the life of the contract, leaving a cumulative loss rate based on historic averages.

As customary in the real estate industry, title of the property is retained by the Group until the purchase price is fully collected, either from the buyer or a financing institution. Its pricing policy also dictates that inventories from previously cancelled sales are resold at a higher price from its original transaction price. Further, previous collections to be refunded to defaulting customers are reduced by penalties and charges. These factors result in a net gain from the transaction sufficient to cover the expenses and losses associated with the default. These measures further reduce the Group's exposure to credit risk.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentration of credit risk by location of the Group's receivables and contract assets, net of allowance for impairment, is shown below.

	2019	2018
Cebu	**P 9,117,063,839**	P 6,848,806,673
Cagayan de Oro	**2,105,478,989**	1,236,246,522
Bacolod	**1,454,664,781**	513,876,349
Davao	**1,328,729,484**	705,998,936
Dumaguete	**759,296,899**	176,292,810
Oriental Mindoro	**3,338,974**	-
	P14,768,572,966	P 9,481,221,290

As at December 31, 2019 and 2018, the average expected credit loss rate is 0.01% and 0.72% that resulted in the ECL of P348,217 and P69,842,048, respectively. A reconciliation of the loss allowance for trade and other receivables and contract assets as at the beginning and end of December 31, 2019 and 2018 is presented below.

	Receivables (Note 6)	Contract Assets (Note 17.2)	Total
Balance at January 1, 2019	P 20,352,667	P 49,489,381	P 69,842,048
Reversal of lifetime ECL	(20,004,450)	(49,489,381)	(69,493,831)
Balance at December 31, 2019	**P 348,217**	**P -**	**P 348,217**
Balance at January 1, 2019	P 7,915,506	P 17,146,847	P 25,062,353
Lifetime ECL	12,437,161	32,342,534	44,779,695
Balance at December 31, 2019	P 20,352,667	P 49,489,381	P 69,842,048

As at December 31, 2019 and 2018, the Group has no past due but unimpaired financial assets.

30.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored on a week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. It maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2019 and 2018, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**More than 5 Years**
December 31, 2019				
Interest-bearing loans and borrowings	P2,439,386,519	P1,096,521,437	P10,534,354,238	P7,001,356,049
Trade and other payables[2]	4,402,542,794	1,194,174,188	71,610,604	-
	P 6,841,929,313	**P2,290,695,625**	**P10,605,964,842**	**P7,001,356,049**
December 31, 2018				
Interest-bearing loans and borrowings	P1,326,646,615	P 326,366,857	P 4,741,080,363	P5,550,940,768
Trade and other payables[2]	1,355,871,560	787,081,472	74,698,534	-
	P2,682,518,175	P1,113,448,329	P 4,815,778,897	P5,550,940,768

[2] Trade and other payables excludes output VAT, government-related obligations and advance rental.

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

31. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

31.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2019		2018	
	Notes	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets					
at amortized cost:					
Cash and cash equivalents	5	**P 917,170,651**	**P 917,170,651**	P 949,161,931	P 949,161,931
Receivables - net[1]	6	**5,825,594,990**	**5,825,594,990**	4,000,357,722	4,000,357,722
Contract assets - net	17.2	**8,892,510,028**	**8,892,510,028**	5,442,125,993	5,442,125,993
Due from related parties	25.1	**9,947,417**	**9,947,417**	21,154,189	21,154,189
Refundable deposits	14	**66,028,148**	**66,028,148**	57,418,776	57,418,776
		15,711,251,234	**15,711,251,234**	10,470,218,611	10,470,218,611
Financial Liabilities					
at amortized cost:					
Interest-bearing loans and borrowings	15	**P 16,846,756,577**	**P 16,811,221,475**	P 10,641,280,311	P 10,618,834,508
Trade and other payables[2]	16	**5,668,327,586**	**5,668,327,586**	2,217,651,566	2,217,651,566
		P 22,515,084,163	**P 22,479,549,061**	P 12,858,931,877	P 12,836,486,074

[1] Receivables - net excludes advances to officers and employees.
[2] Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 30.

31.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	Net amount
December 31, 2019						
Cash and cash equivalents	**P 917,170,651**	**P -**	**P 917,170,651**	**P 749,160,824**	**P -**	**P 168,009,827**
Receivables - net[1]	**P5,825,594,990**	**P -**	**P5,825,594,990**	**P -**	**P -**	**P5,825,594,990**
December 31, 2018						
Cash and cash equivalents	P 949,161,931	P -	P 949,161,931	P 301,879,079	P -	P 647,282,852
Receivables - net[1]	P 4,000,357,722	P -	P 4,000,357,722	P -	P -	P 4,000,357,722

[1] *Receivables - net excludes advances to officers and employees.*

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	Net amount
December 31, 2019						
Interest-bearing loans and borrowings	**P 16,846,756,577**	**P -**	**P 16,846,756,577**	**P 749,160,824**	**P -**	**P 16,097,595,753**
Trade and other payables[2]	**P 5,668,327,586**	**P -**	**P 5,668,327,586**	**P -**	**P -**	**P 5,668,327,586**
December 31, 2018						
Interest-bearing loans and borrowings	P 10,641,280,311	P -	P 10,641,280,311	P 301,879,079	P -	P 10,339,401,232
Trade and other payables[2]	P 2,217,651,566	P -	P 2,217,651,566	P -	P -	P 2,217,651,566

[2] *Trade and other payables excludes output VAT, government-related obligations and advance rental.*

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

31.3 Fair Value Measurements and Disclosures

(a) Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement,* the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities, which are not measured at fair value in the 2019 and 2018 consolidated statements of financial position, but for which fair value is disclosed (see Note 31.1).

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 917,170,651	P -	P -	P 917,170,651
Receivables – net[1]	-	-	5,825,594,990	5,825,594,990
Contract assets - net	-	-	8,892,510,028	8,892,510,028
Due from related parties	-	-	9,947,417	9,947,417
Refundable deposits	-	-	66,028,148	66,028,148
	P 917,170,651	**P -**	**P 14,794,080,583**	**P 15,711,251,234**
Financial liabilities				
Interest-bearing loans and borrowings	P -	P -	P 16,811,221,475	P 16,811,221,475
Trade and other payables[2]	-	-	5,668,327,586	5,668,327,586
	P -	**P -**	**P 22,479,549,061**	**P 22,479,549,061**

[1] Receivables - net excludes advances to officers and employees.
[2] Trade and other payables excludes output VAT, government-related obligations and advance rental.

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 949,161,931	P -	P -	P 949,161,931
Receivables – net[1]	-	-	4,000,357,722	4,000,357,722
Contract assets - net	-	-	5,442,125,993	5,442,125,993
Due from related parties	-	-	21,154,189	21,154,189
Refundable deposits	-	-	57,418,776	57,418,776
	P 949,161,931	P -	P 9,521,056,680	P 10,470,218,611
Financial liabilities				
Interest-bearing loans and borrowings	P -	P -	P 10,641,280,311	P 10,618,834,508
Trade and other payables[2]	-	-	2,217,651,566	2,217,651,566
	P -	P -	P 12,858,931,877	P 12,836,486,074

[1] Receivables - net excludes advances to officers and employees.
[2] Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans and borrowings, because of their short-term nature.

(c) Fair Value Measurement for Non-financial Assets

The Group has no non-financial assets measured at fair value as at December 31, 2019 and 2018. However, the fair values of its investment properties are required to be disclosed, as shown in Note 13.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2019 and 2018.

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Investment property	**P -**	**P 1,678,727,000**	**P 8,563,318,810**	**P10,242,045,810**
December 31, 2018				
Investment property	P -	P 1,034,936,000	P 4,872,187,491	P 5,907,123,491

In 2019 and 2018, the fair value of the Group's Investment Properties is determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(a) Fair Value Measurement for Land, Condominium Units and Retail Buildings

The Level 2 fair value of the parcels of land, condominium units and retail building under Investment Properties account was determined using the market approach. Parking slots presented as part of condominium units under Investment Properties account was determined using the market approach.

Under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Improvements under Retail Buildings

The Level 2 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2019 and 2018.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2019	2018
Total liabilities	**P24,535,183,948**	P 14,105,683,844
Total equity	**13,748,258,288**	11,321,980,954
Debt-to-equity ratio	**1.78:1.00**	1.25:1.00

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to certain financial ratios in relation with its borrowings (see Note 15.2). The Group has complied with its covenant obligations for both years ended December 31, 2019 and 2018.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines
T +63 2 8988 22 88

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated April 7, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 8116545, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2020

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
List of Supplementary Information
December 31, 2019

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule A - Financial Assets
December 31, 2019

Name of Issuing Entity and Association of Each Issue	*Amount Shown in the Statement of Financial Position*	*Income Received and Accrued*
Financial Assets at Amortized Cost		
Cash and Cash Equivalents		
Cash in banks	P 749,160,824	P 24,599,602
Short-term placements	164,094,136	-
Cash on hand	3,915,691	-
	917,170,651	24,599,602
Receivables		
Contract receivables	5,556,006,058	-
Rent receivable	68,073,716	-
Retention receivable	24,261,678	-
Management fee receivables	13,465,493	-
Other receivables	164,136,262	-
	5,825,943,207	-
Contract Assets	8,892,510,028	-
Due from Related Parties	9,947,417	-
Other Non-Current Assets		
Refundable deposits	66,028,148	-
Total	**P 15,711,599,451**	**P 24,599,602**

1

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019

			Deductions				
Name and designation of debtor	***Balance at beginning of period***	***Additions***	***Amounts collected***	***Amounts Written off***	***Current***	***Not Current***	***Balance at end of period***
Entities Under Common Ownership:							
Condominium Corporation							
Park Centrale Condo Corporation	P 1,796,506	P -	(P 1,793,482)	P -	P 3,024	P -	P 3,024
Baseline Residences Condo Corporation	4,817,733	-	(2,639,817)	-	2,177,916	-	2,177,916
Mivesa Garden Residences Condo Corporatio	2,410,770	-	(742,562)	-	1,668,208	-	1,668,208
Midori Residences Condo Corporation	1,884,809	-	(1,884,809)	-	-	-	-
Asia Premier Condo Corporation	1,515,120	-	(1,533,653)	-	(18,532)	-	(18,532)
Casa Mira Towers Labangon	-	3,426,759	-	-	3,426,759	-	3,426,759
Base Line Center	-	391,199	-	-	391,199	-	391,199
	12,424,938	3,817,958	(8,594,323)	-	7,648,573	-	7,648,573
Homeowners' Associations							
Midori Plains	3,271,258	-	(2,909,966)	-	361,292	-	361,292
San Josemaria Villages	2,724,231	-	(2,620,081)	-	104,150	-	104,150
Velmiro Heights	2,712,014	-	(1,853,966)	-	858,047	-	858,047
Casa Mira Linao	-	952,408	-	-	952,408	-	952,408
	8,707,503	952,408	(7,384,014)	-	2,275,896	-	2,275,896
Cebu Landmasters Foundation, Inc.	21,748	1,200	-	-	22,948	-	22,948
	21,154,189	4,771,565	(15,978,337)	-	9,947,418	-	9,947,418
Ultimate Parent Company	149,300,130	26,047,495	(16,426,787)	-	158,920,838	-	158,920,838
Key Management Personnel	65,028,576	-	(57,847,896)	-	7,180,680	-	7,180,680
Total	**P 235,482,895**	**P 30,819,060**	**(P 90,253,020)**	**P -**	**P 176,048,936**	**P -**	**P 176,048,936**

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2019

			Deductions				
Name and Designation of debtor	***Balance at beginning of period***	***Additions***	***Amounts collected***	***Amounts written off***	***Current***	***Not Current***	***Balance at end of period***
CCLI Premier Hotels Int'l. Inc.	P 3,410,791	P 2,817,004	-	P -	P 6,227,795	P -	P 6,227,795
El Camino Developers Cebu, Inc.	3,969,766	2,638,426	(2,131,907)	-	4,476,285	-	4,476,285
Cebu Landmasters Property Management, Inc.	1,939,269	3,603,705	(3,482,265)		2,060,710	-	2,060,710
CLI Premier Hotels Int'l. Inc.	-	1,610,883	-	-	1,610,883	-	1,610,883
Mivesa Garden Residences, Inc.	753,635	477,000	-	-	1,230,635	-	1,230,635
BL CBP Ventures, Inc.	5,000	2,465,023	(2,295,423)	-	174,600	-	174,600
Yuson Huang Excellence Soberano, Inc.	103,702	-	(23,625)	-	80,077	-	80,077
Yuson Excellence Soberano, Inc.	272,637	786,583	(985,653)	-	73,567	-	73,567
YHEST Realty and Development Corporation	-	37,785	-	-	37,785	-	37,785
	P 10,454,801	**P 14,436,409**	**(P 8,918,874)**	**P -**	**P 15,972,337**	**P -**	**P 15,972,337**

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule D Long-Term Debt
December 31, 2019

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position*	*Amount shown under caption "Long-Term Debt" in related Statement of Financial Position*	*Interest Rate*	*No. of Periodic Installment*	*Maturity Dates*
Promissory notes						
Bank of the Philippine Islands	P 4,932,000,000	P 1,295,046,703	P 3,167,036,624	4.13% to 7.38%	Various	01/15/20 to 09/24/28
Land Bank of the Philippines	1,999,569,462	85,129,342	1,914,576,963	3.77% to 7.37%	Various	05/30/28 to 08/30/29
BDO Unibank Inc.	671,634,498	15,000,000	655,503,190	3.81% to 5.50%	Various	07/05/27
Development Bank of the Philippines	1,807,000,000	1,000,000,000	308,923,462	3.72% to 6.41%	Various	02/03/20 to 05/30/34
China Banking Corporation	700,000,000	232,583,333	424,465,160	4.75% to 7.75%	Various	04/08/21 to 03/08/23
Rizal Commercial Banking Corporation	212,000,000	-	212,247,685	5.95% to 6.15%	Various	12/15/22
Philippine National Bank	994,000,000	-	613,199,487	4.19% to 6.50%	Various	12/15/22 to 07/12/24
	11,316,203,960	2,627,759,378	7,295,952,571			
Corporate notes						
BDO Unibank Inc.	1,000,000,000	-	988,031,994	7.25%	17	12/20/25
Bank of the Philippine Islands	1,000,000,000	-	988,043,899	7.25%	17	12/20/25
China Banking Corporation	2,000,000,000	-	1,975,502,246	6.75% to 7.25%	17 to 29	12/20/25 to 10/20/28
Land Bank of the Philippines	1,000,000,000	-	987,859,399	6.63%	29	08/02/28
ALFM Peso Bond Fund, Inc.	1,200,000,000	-	1,190,171,952	6.63%	1	08/02/28 to 08/23/28
ALFM Money Market Fund, Inc.	800,000,000	-	793,435,138	4.75%	1	04/30/21 to 05/29/21
	7,000,000,000	-	6,923,044,628			
	P 18,316,203,960	P 2,627,759,378	P 14,218,997,199			

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule E - Indebtedness to Related Parties
December 31, 2019

Name of related party	*Balance at beginning of period*	*Balance at end of period*

NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2019

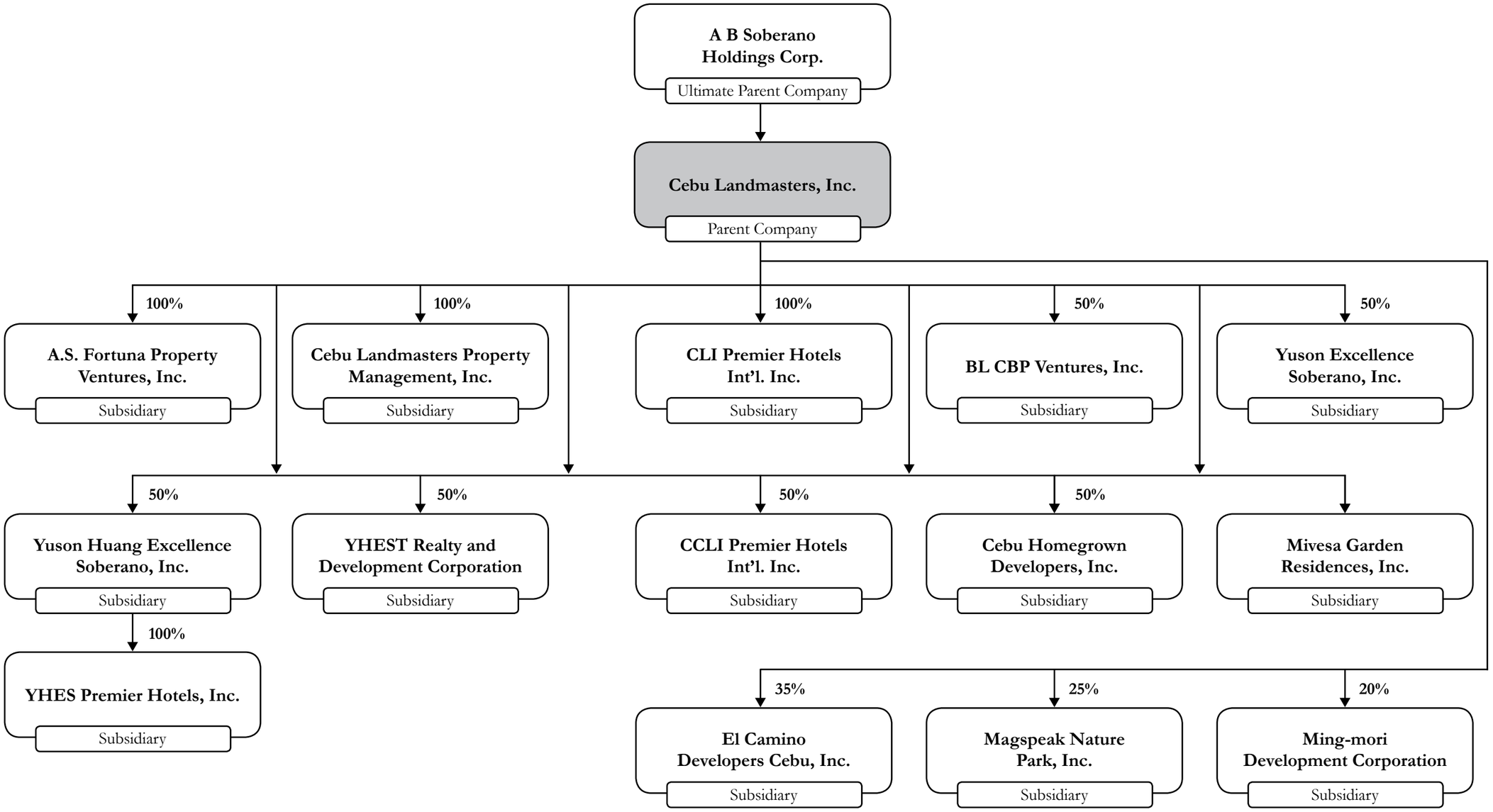
Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
Schedule G - Capital Stock
December 31, 2019

				Number of shares held by		
Title of Issue	*Number of Shares Authorized*	*Number of Shares Issued and Outstanding as shown under the related Statement of Financial Position Caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - P1 par value						
Authorized	2,400,000,000	-	-	-	-	-
Issued and outstanding	-	1,659,180,000	54,820,000	994,395,197	21,750,003	643,034,800
Preferred Shares - P0.10 par value						
Authorized	1,000,000,000	-	-	-	-	-
Issued and outstanding	-	-	-	-	-	-

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and Among the
Company and Its Related Parties
December 31, 2019



Cebu Landmasters, Inc.
(A Subsidiary of AB Soberano Holdings Corp.)
10th Floor Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy., Apas, Cebu City
Reconciliation of Retained Earnings Available for Dividend Declaration
as of December 31, 2019
(Amounts in Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year		P 3,003,789,332
Prior Year's Outstanding Reconciling Items, net of tax		
Share in profit of subsidiaries and associates		(399,773,143)
Treasury stock, at cost		(212,459,418)
Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year, as Adjusted		2,391,556,771
Net Profit realized during the Year	P 2,024,343,164	
Share in profit of subsidiaries and associates	(316,067,810)	1,708,275,354
Other Transactions During the Year		
Appropriations of retained earnings	(3,050,000,000)	
Dividends declared	(332,590,000)	
Acquisition of treasury stock	(34,734,393)	(3,417,324,393)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 682,507,732**

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Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines
T +63 2 8988 22 88

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (the Group) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated April 7, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 8116545, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2020

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018
(Amounts in Philippine Pesos)

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 22,932,778,503 Divide by: Total Current Liabilities 8,971,181,909 Current ratio 2.56	2.56	Total Current Assets divided by Total Current Liabilities Total Current Assets 16,088,569,606 Divide by: Total Current Liabilities 4,396,560,441 Current ratio 3.66	3.66
Acid test ratio	Quick assets (Cash and cash equivalents plus Current Receivables and Current Receivables and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 917,170,651 Add: Current Receivables 5,204,137,996 Current Contract Assets 3,799,666,118 Due from Related Related Parties 9,947,417 Quick Assets 9,930,922,182 Divide by: Total Current Liabilities 8,971,181,909 Acid test ratio 1.11	1.11	Quick assets (Cash and cash equivalents plus Current Receivables and Due from Related Parties) divided by Total Current Liabilities Cash and cash equivalents 949,161,931 Add: Current Receivables 3,093,200,762 Current Contract Assets 4,283,208,009 Due from Related Related Parties 21,154,189 Quick Assets 8,346,724,891 Divide by: Total Current Liabilities 4,396,560,441 Acid test ratio 1.90	1.90
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 24,535,183,948 Divide by: Total Assets 38,283,442,236 Solvency ratio 0.64	0.64	Total Liabilities divided by Total Assets Total Liabilities 14,105,683,844 Divide by: Total Assets 25,427,664,798 Solvency ratio 0.55	0.55
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 24,535,183,948 Divide by: Total Equity 13,748,258,288 Debt-to-equity ratio 1.78	1.78	Total Liabilities divided by Total Equity Total Liabilities 14,105,683,844 Divide by: Total Equity 11,321,980,954 Debt-to-equity ratio 1.25	1.25
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 38,283,442,236 Divide by: Total Equity 13,748,258,288 Assets-to-equity ratio 2.78	2.78	Total Assets divided by Total Equity Total Assets 25,427,663,798 Divide by: Total Equity 11,321,980,954 Assets-to-equity ratio 2.25	2.25
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 3,181,493,724 Add: Interest charged to: Cost of Sales 135,900,814 Finance cost 33,629,596 EBIT 3,351,024,134 Divide by: Interest Expense* 836,174,726 Interest rate coverage ratio 4.01 *Includes 802,545,130 interest capitalized as part of real estate inventory	4.01	Earnings before interest and taxes (EBIT) divided by Interest expense Profit before tax 2,607,534,387 Add: Interest charged to: Cost of Sales 88,478,442 Finance cost 88,467,056 EBIT 2,784,479,885 Divide by: Interest Expense* 330,703,401 Interest rate coverage ratio 8.42 *Includes 242,236,345 interest capitalized as part of real estate inventory	8.42
Return on equity	Net Profit divided by Total Equity Net Profit 2,437,937,509 Divide by: Total Equity 13,748,258,288 Return on equity 19%	19%	Net Profit divided by Total Equity Net Profit 2,168,925,313 Divide by: Total Equity 11,321,980,954 Return on equity 18%	18%
Return on assets	Net Profit divided by Total Assets Net Profit 2,437,937,509 Divide by: Total Assets 38,283,442,236 Return on assets 6%	6%	Net Profit divided by Total Assets Net Profit 2,168,925,313 Divide by: Total Assets 25,427,664,798 Return on assets 9%	9%
Net profit margin	Net Profit Divided by Revenues Net Profit 2,437,937,509 Divide by: Total Assets 8,499,047,935 Return on assets 29%	29%	Net Profit divided by Total Assets Net Profit 2,168,925,313 Divide by: Total Assets 6,762,939,347 Return on assets 32%	32%
Other ratio				
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit 4,198,362,958 Divide by: Total Revenue 8,499,047,935 Gross profit margin 49%	49%	Gross Profit divided by Total Revenue Gross Profit 3,626,879,432 Divide by: Total Revenue 6,762,939,347 Gross profit margin 49%	49%

stakeholder inquiries

For inquiries or concerns from analysts, institutional investors, the financial community, customers, and general public, please contact:

GENERAL OR MEDIA INQUIRIES
rosemel@cebulandmasters.com

INVESTOR COMMUNICATIONS
clarissa@cebulandmasters.com

CORPORATE GOVERNANCE
larri_nil@cebulandmasters.com

For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please contact:

ADDRESS
BDO Trust and Investments
c/o Lorraine Carpio
15F South Tower BDO Corporate Center
Makati Ave, Makati City

TELEPHONE
+63(2) 878-4965

EMAIL
bdo-stock-transfer@bdo.com.ph

credits

COVER CONCEPT
BBDO Guerrero
Cebu Landmasters, Inc.

DESIGN AND LAYOUT
BBDO Guerrero

PORTRAITURES
Jan Gonzales
Nico Villegas
Jon Unson

OPERATIONAL PHOTOS
Cebu Landmasters, Inc.

PRINTER
ClintKAMMS Corporation

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